

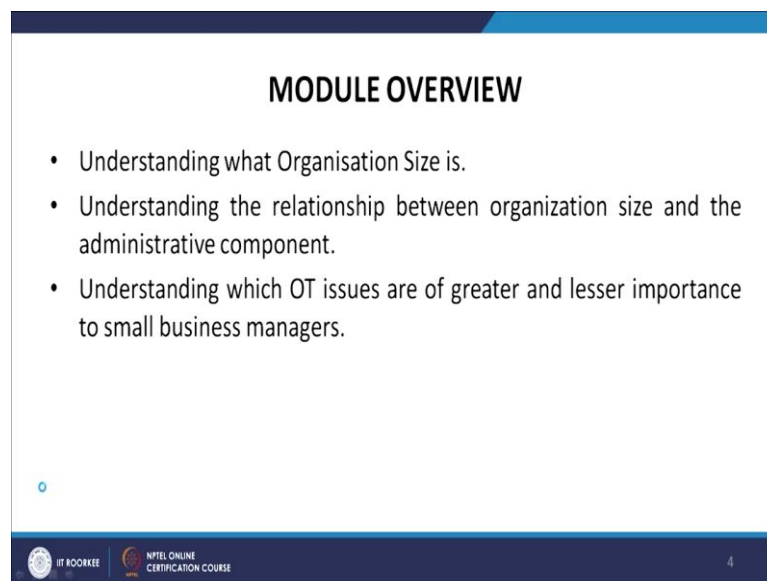
Organisation Theory/Structure and Design
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Indian Institute of Technology, Roorkee

Lecture - 15
Organisation Size - II

Welcome to this course on Organization Theory Structure and Design. Now, it is time for module 15; this is the second part of Organization Size. We have talked about organizational size in module 14 also. And, we will continue with this discussion in module 15.

And, these are the things that we will cover in this module, understand what organization size is, then we will try to understand, the relationship between organization size and the administrative component.

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MODULE OVERVIEW

- Understanding what Organisation Size is.
- Understanding the relationship between organization size and the administrative component.
- Understanding which OT issues are of greater and lesser importance to small business managers.

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Thereafter, we will understand which OT that is organization theory issues, are of greater or lesser importance to small business managers.

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INTRODUCTION

- A CRITICAL QUESTION: HOW BIG IS BIG?
 - Throughout the previous module we have tried to assess what effect, if any, changes in an organization's size have on its structure.
 - One interesting finding has been that size's influence seems to dissipate as the number of employees expands.
 - Once an organization becomes large in size, it tends to be high in complexity, high in formalization, and decentralized.

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Now, to start with, the critical question is how big is big? Throughout the previous module, we have tried to assess what effect, if any, changes in an organization size have on its structure. One interesting finding has been that size's influence seems to dissipate as the number of employees expands.

Once an organization becomes large in size, it tends to be high in complexity, high in formalization and decentralization. That is, once an organization becomes big, increases in the number of employees have no noticeable further influence on the structure

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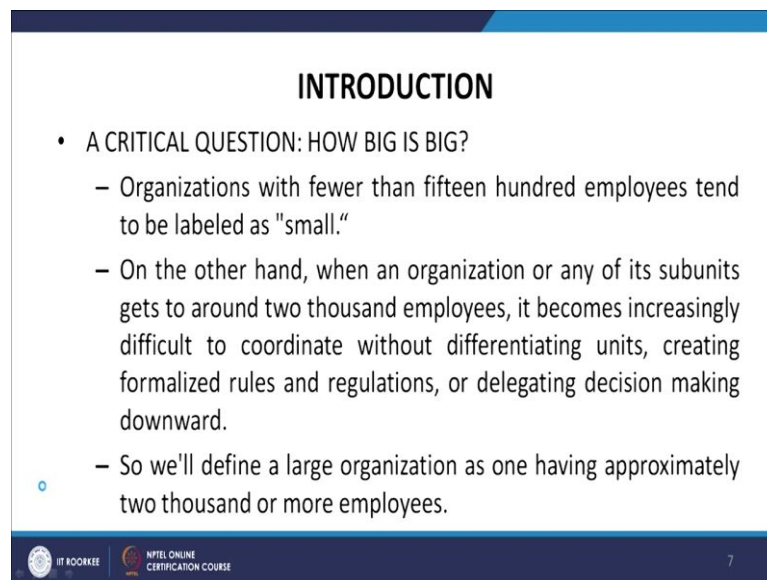
INTRODUCTION

- A CRITICAL QUESTION: HOW BIG IS BIG?
 - That is, once an organization becomes big, increases in the number of employees have no noticeable further influence on structure.
 - This conclusion, then, begs the question: How big is big?
 - Put another way, at what point do additional employees become irrelevant in determining an organization's structure?
 - Our answer can only be an approximation.
 - However, most estimates tend to fall in the range of fifteen hundred to two thousand employees.

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This conclusion, then begs the question: how big is big? Put another way, at what point do additional employees become irrelevant, in determining an organization's structure? Our answer can only be an approximation to this number. However, most estimates tend to fall in the range of fifteen hundred to two thousand employees.

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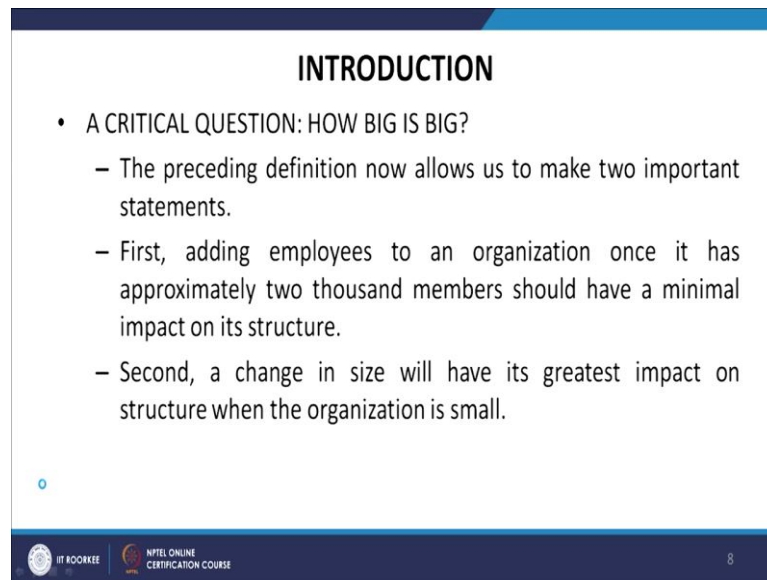
INTRODUCTION

- A CRITICAL QUESTION: HOW BIG IS BIG?
 - Organizations with fewer than fifteen hundred employees tend to be labeled as "small."
 - On the other hand, when an organization or any of its subunits gets to around two thousand employees, it becomes increasingly difficult to coordinate without differentiating units, creating formalized rules and regulations, or delegating decision making downward.
 - So we'll define a large organization as one having approximately two thousand or more employees.

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Organization with fewer than fifteen hundred employees tend to be labelled as small. On the other hand, when an organization or any of its sub units gets to around two thousand employees, it becomes increasingly difficult to coordinate without differentiating units, creating formalized rules and regulations or delegating decision making downwards. So, we will define a large organization as one having approximately two thousand or more employees.

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INTRODUCTION

- A CRITICAL QUESTION: HOW BIG IS BIG?
 - The preceding definition now allows us to make two important statements.
 - First, adding employees to an organization once it has approximately two thousand members should have a minimal impact on its structure.
 - Second, a change in size will have its greatest impact on structure when the organization is small.

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The preceding definition, now allows us to make two important statements. The first statement is adding employees to an organization, once it has approximately two thousand members should have a minimal impact on its structure. Second, a change in size will have its greatest impact on a structure when the organization is small?

The big organizations with five or ten thousand employees can double its size and you are not likely to see any significant changes in its structure. But, if an organization with five hundred employees doubles its size, you should expect that it will be followed by significant structural changes.

Now, let us look at how to go about keeping it small. And, we are talking of the case of HP and Magna internationals.

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KEEPING IT SMALL

Case: Hewlett-Packard and Magna International's

- Among organizations that purposely seek to keep their organizational units small in order to maintain flexibility and responsiveness to change, there is no clear consensus on when a unit has become too big.
- For instance, compare Hewlett-Packard and Magna International's solution to the problem.
- Both of these highly successful firms pride themselves on keeping units small.

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Among organizations that purposely seek to keep their organizational units small in order to maintain flexibility and responsiveness to change, there is no clear consensus on when a unit has become too big. For instance, compare HP and Magna international solutions to the problem. Both of these highly successful firms pride themselves as keeping units small.

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KEEPING IT SMALL

Case: Hewlett-Packard and Magna International's

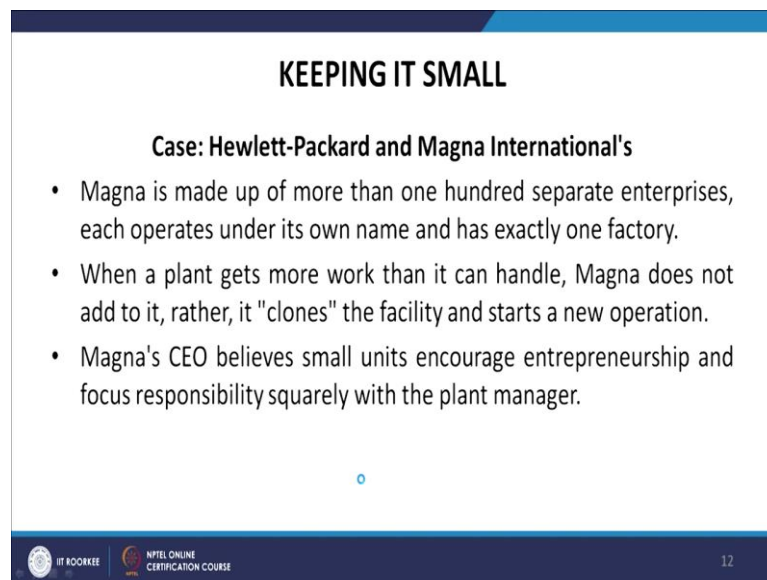
- Hewlett-Packard, on one hand, tends to use about two thousand employees as a cut off.
- When plants get permanently beyond that number, HP builds a new facility to absorb future growth.
- On the other hand, Magna International is a diversified Canadian auto parts manufacturer with more than ten thousand employees and almost \$1 billion (Canadian) in annual sales.
- It uses two hundred people as its cut off.

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Hp on one hand tend to use about two thousand employees as a cut off. When plants get permanently beyond that number, HP builds a new facility to absorb future growth. On

the other hand, Magna international is a diversified Canadian auto part manufacturer with more than ten thousand employees and almost 1 billion Canadian dollars in annual sales. It uses two hundred people as its cut off. So, you see that HP uses two thousand and Magna uses two hundred.

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KEEPING IT SMALL

Case: Hewlett-Packard and Magna International's

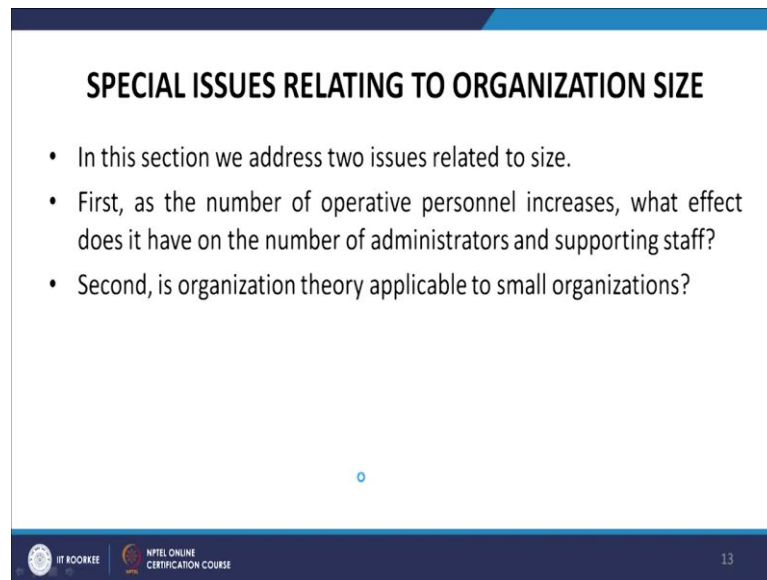
- Magna is made up of more than one hundred separate enterprises, each operates under its own name and has exactly one factory.
- When a plant gets more work than it can handle, Magna does not add to it, rather, it "clones" the facility and starts a new operation.
- Magna's CEO believes small units encourage entrepreneurship and focus responsibility squarely with the plant manager.

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So, Magna is made up of more than one hundred separate enterprises, each operates under its own name and has exactly one factory. When a plant gets more work than it can handle, Magna does not add to it rather it clones the facility and it starts a new operation.

Magna's CEO believes small units encourage entrepreneurship and focus responsibility squarely with the plant manager. Now, let us look at some special issues relating to organizational size. In this section we address two issues related to size.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

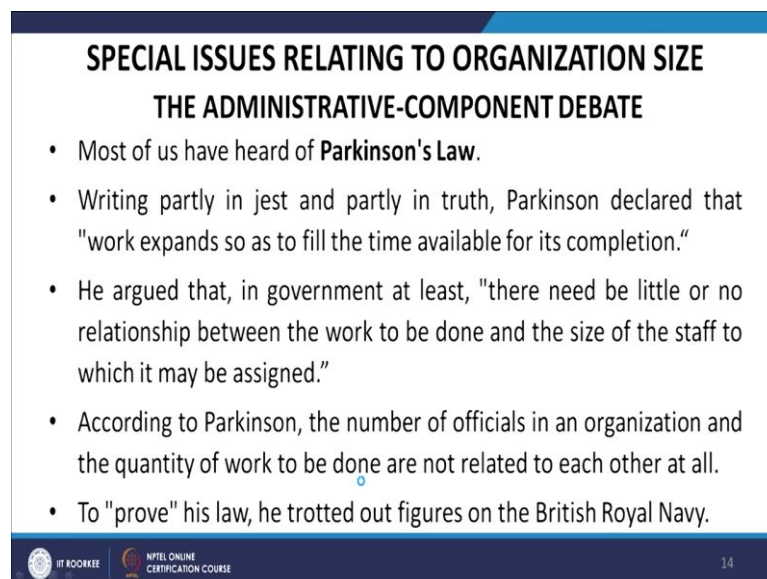
- In this section we address two issues related to size.
- First, as the number of operative personnel increases, what effect does it have on the number of administrators and supporting staff?
- Second, is organization theory applicable to small organizations?

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First is, as the number of operative personnel increases, what effect does it have on the number of administrators and supporting staff? And the second, is organizational theory applicable to small organizations also?

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

- Most of us have heard of **Parkinson's Law**.
- Writing partly in jest and partly in truth, Parkinson declared that "work expands so as to fill the time available for its completion."
- He argued that, in government at least, "there need be little or no relationship between the work to be done and the size of the staff to which it may be assigned."
- According to Parkinson, the number of officials in an organization and the quantity of work to be done are not related to each other at all.
- To "prove" his law, he trotted out figures on the British Royal Navy.

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So, let us start with this administrative component debate. Most of us have heard of Parkinson's Law, partly written in jest and partly in truth. Parkinson declared that work expands so as to fill the time available for its completion. He argued that in government at least, there needs to be little or no relationship between the work to be done and the

size of the staff to which it may be assigned. According to Parkinson, the number of officials in an organization and the quantity of work to be done are not related to each other at all. To prove his law, he trotted out figures on the British Royal Navy.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

- As shown in Table 15.1, between 1914 and 1928, the number of warships commissioned declined by nearly 68 percent.
- Total personnel in the Navy declined by approximately 32 percent.
- But that apparently had no bearing on the administrative staff, whose purpose was to manage the ships and personnel.
- The number of on-shore officials and clerks rose by 40 percent over the fourteen-year period, and the officer corps increased by a startling 78 percent.

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So, as shown in figure 15.1 between 1914 and 1928, the number of warships commissioned declined by nearly 68 percent. Total personnel in the Navy declined by approximately 32 percent, but that apparently had no bearing on the administrative staff, whose purpose was to manage the ships and personnel. The number of onshore officials and clerks rose by 40 percent over the fourteen year period, and the officer corp increased by a startling 78 percent.

Now, this is what we are talking about. This is comparative data on the British Royal Navy, that is from 1914 versus 1928.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE THE ADMINISTRATIVE-COMPONENT DEBATE			
CATEGORY	1914	1928	% INCREASE OR DECREASE
Ships in commission	62	20	- 67.74
Total navy personnel	146,000	100,000	- 31.50
Dockyard workers	57,000	62,439	+ 9.50
Dockyard officials and clerks	3,249	4,558	+ 40.28
Admiralty officers	2,000	3,569	+ 78.45

Figure 15.1: Comparative Data on the British Royal Navy, 1914 versus 1928

Source: Robbins, S. P. (1990). *Organization Theory: Structures, Designs, and Applications*. Pearson Education India.

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So, ships in commission in 1914 are 62 while in 1928 they are 20. So, the percentage decreases 67.74 percent. Similarly, total Navy personnel are 146000 in 1914 and 100000 in 1928 that is again a decrease of 31.5 percent.

Dockyard workers increased by 9.5 percent, dockyard officials and clerks, they also increased by 40 percent, while admiralty officers they increased by 78 percent. So, Parkinson's insight initiated a wealth of research into what is now referred to as the administrative component.

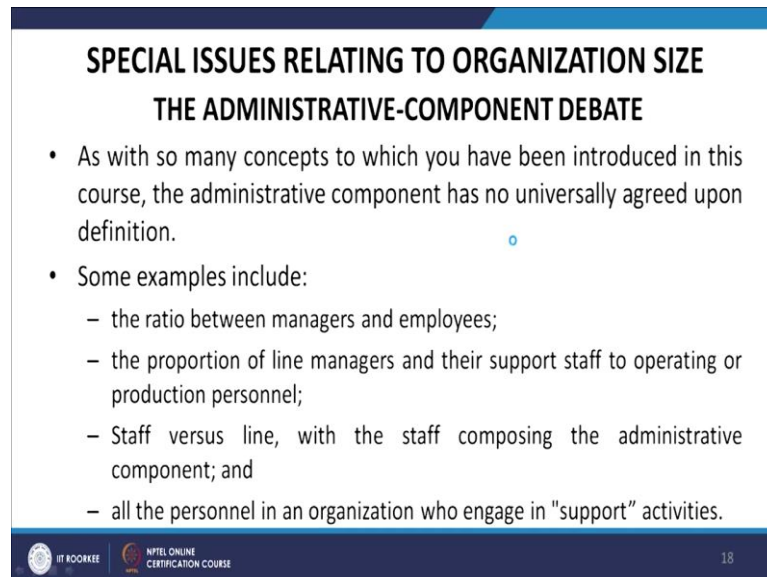
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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE THE ADMINISTRATIVE-COMPONENT DEBATE	
<ul style="list-style-type: none">Parkinson's insight initiated a wealth of research into what is now referred to as the <u>administrative component</u>.It has been stated, in fact, that probably more studies have been conducted on the relationship between organizational size and the administrative component than on any other aspect of organization structure.But what exactly does this term administrative component mean?	

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It has been stated in fact, that probably more studies have been conducted on the relationship between organizational size and the administrative component, then on any other aspect of organization structure. But, what exactly does this term administrative component means?

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The slide is titled "SPECIAL ISSUES RELATING TO ORGANIZATION SIZE" and "THE ADMINISTRATIVE-COMPONENT DEBATE". It contains a bulleted list of points. The first bullet states that the administrative component has no universally agreed upon definition. The second bullet lists four examples: the ratio between managers and employees; the proportion of line managers and their support staff to operating or production personnel; staff versus line, with the staff composing the administrative component; and all the personnel in an organization who engage in "support" activities. The slide footer includes the IIT ROORKEE logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "18".

SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

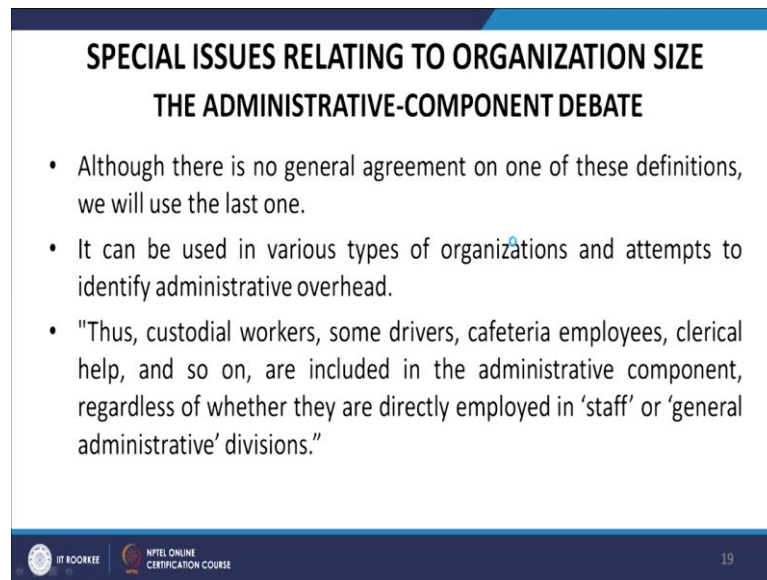
THE ADMINISTRATIVE-COMPONENT DEBATE

- As with so many concepts to which you have been introduced in this course, the administrative component has no universally agreed upon definition.
- Some examples include:
 - the ratio between managers and employees;
 - the proportion of line managers and their support staff to operating or production personnel;
 - Staff versus line, with the staff composing the administrative component; and
 - all the personnel in an organization who engage in "support" activities.

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As with so many concepts to which you have been introduced in this course, the administrative component has no universally agreed upon definition. For example, it may include the ratio between managers and employees, the proportion of line managers and their support staff to operating or production personnel; staff versus line with the staff composing the administrative component and all the personnel in an organization who engage in support activities. Although there is no general agreement on one of these definitions, we will use the last one.

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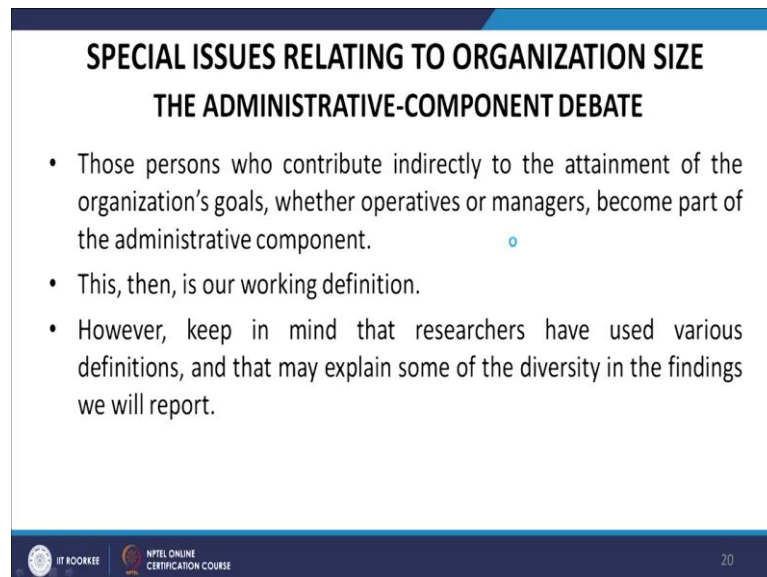
SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

- Although there is no general agreement on one of these definitions, we will use the last one.
- It can be used in various types of organizations and attempts to identify administrative overhead.
- "Thus, custodial workers, some drivers, cafeteria employees, clerical help, and so on, are included in the administrative component, regardless of whether they are directly employed in 'staff' or 'general administrative' divisions."

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It can be used in various types of organizations and attempts to identify administrative overhead. Thus, custodial workers, some drivers, cafeteria employees, clerical help and so on are included in the administrative component. Regardless of whether they are directly employed in staff or general administrative divisions.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

- Those persons who contribute indirectly to the attainment of the organization's goals, whether operatives or managers, become part of the administrative component.
- This, then, is our working definition.
- However, keep in mind that researchers have used various definitions, and that may explain some of the diversity in the findings we will report.

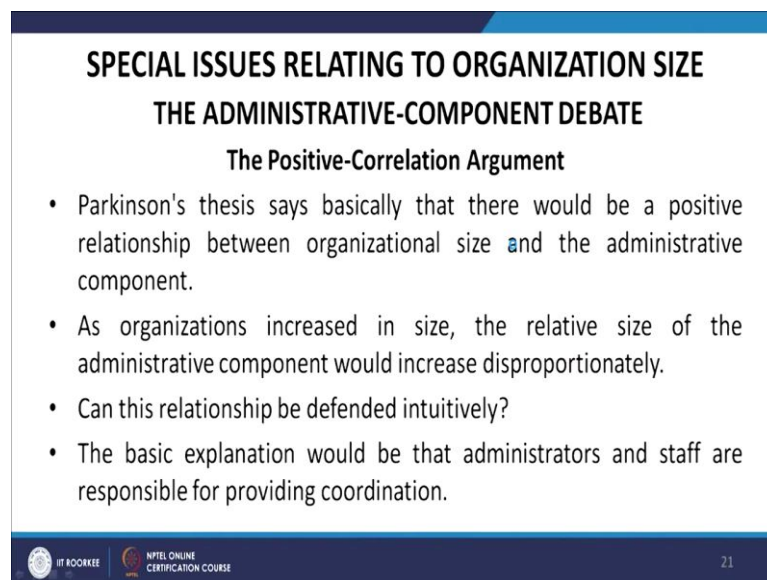
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These persons who contribute indirectly to the attainment of the organization's goals, whether operative or managers become part of the administrative component. This then

is our working definition. However, keep in mind that researchers have used various definitions, and that may explain some of the diversity in the findings we will report.

Now, within this administrative component debate, we are now talking about the positive correlation argument. So, Parkinson's theory says basically that there would be a positive relationship between organizational size and the administrative component.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Positive-Correlation Argument

- Parkinson's thesis says basically that there would be a positive relationship between organizational size and the administrative component.
- As organizations increased in size, the relative size of the administrative component would increase disproportionately.
- Can this relationship be defended intuitively?
- The basic explanation would be that administrators and staff are responsible for providing coordination.

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As organizations increase in size, the relative size of the administrative component would increase disproportionately. Can this relationship be defended intuitively? The basic explanation would be that administrators and staffs are responsible for providing coordination.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Positive-Correlation Argument

- Also, coordination becomes increasingly difficult as more employees who contribute directly to the organization's goals are added.
- Hence, the administrative component can be expected to increase out of proportion to increases in size.
- Some studies support this positive relationship.
- But there are far more studies showing the size administrative component relationship to be either negative or curvilinear.

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Also, coordination becomes increasingly difficult as more employees who contribute directly to the organization's goals are added. Hence, the administrative component can be expected to increase out of proportion to increase in size. Some studies support this positive relationship. But, there are far more studies showing the size administrative component relationship to be either negative or curvilinear.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Negative-Correlation Argument

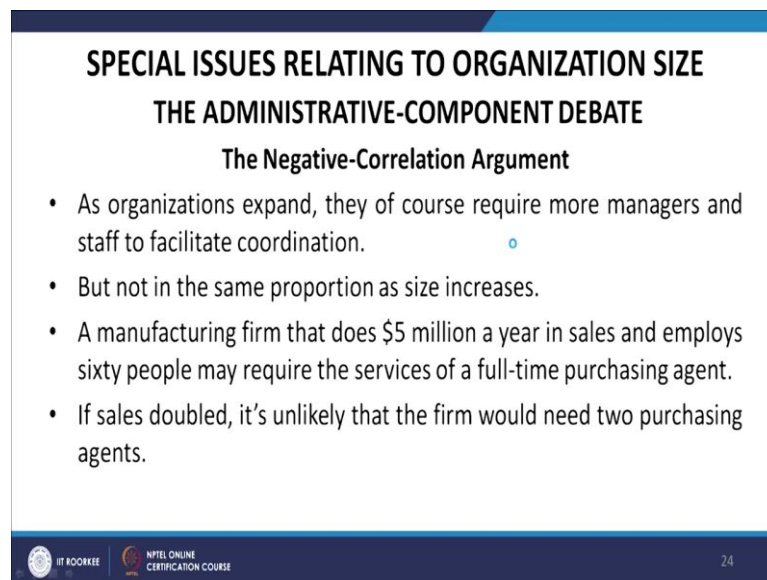
- Exclusive of any empirical data, it seems more reasonable to expect the administrative component to decline as size increases.
- We are not arguing that the absolute number of supportive personnel would decline but rather that it should decline as a *proportion* as size increases.
- This conclusion is based on the assumption of efficiencies from economies of scale.

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Till now, we were talking about the positive correlation argument now we will talk about the negative correlation argument. Exclusive to any empirical data, it seems more reasonable to expect the administrative component to decline as size increases.

We are not arguing that the absolute number of supportive personnel would decline, but rather that it should decline as a proportion as size increases. This conclusion is based on the assumptions of efficiencies from economies of scale.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Negative-Correlation Argument

- As organizations expand, they of course require more managers and staff to facilitate coordination.
- But not in the same proportion as size increases.
- A manufacturing firm that does \$5 million a year in sales and employs sixty people may require the services of a full-time purchasing agent.
- If sales doubled, it's unlikely that the firm would need two purchasing agents.

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As organizations expand, they of course require more managers and staff to facilitate coordination but not in the same proportion as size increases. A manufacturing firm that does dollar 5 million a year in sales and employs sixty people may require the services of a full time purchasing agent. If sales doubled, it is unlikely that the firm would need two purchasing agents.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Negative-Correlation Argument

- Similarly, a typical hospital can increase its patient load by 10 percent with little or no addition in accounting personnel, dietitians, and the like.
- Both examples illustrate economies of scale that suggest that as an organization grows, there should be a decrease in the proportion of personnel allocated to indirect activities.
- The logic of this argument has received substantial empirical support.

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Similarly, a typical hospital can increase its patient load by 10 percent with little or no addition of accounting personnel, dieticians and the like. Both examples illustrate economies of scale that suggest that as an organization grows, there should be decrease in the proportion of personnel allocated to indirect activities. The logic of this argument has received substantial empirical support.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Negative-Correlation Argument

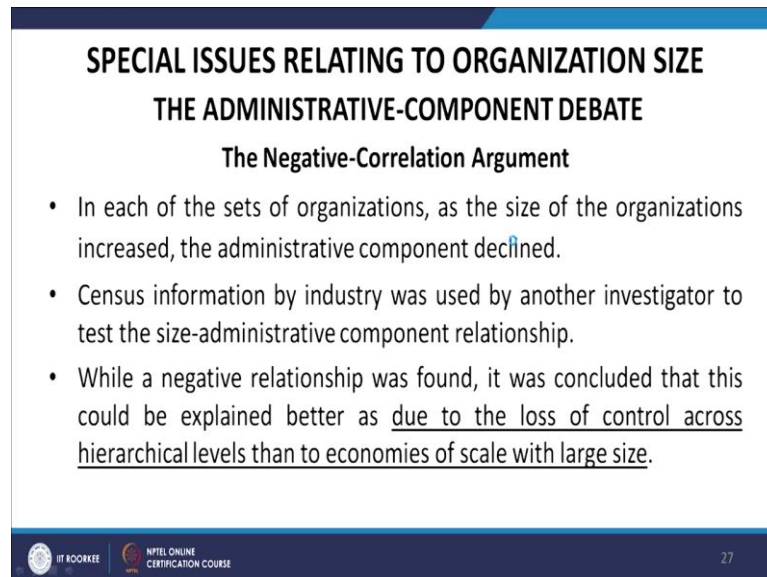
- A study of Veteran's Administration hospitals found the administrative component to decrease as the organizations increased in size.
- An investigation of five sets of organizations including package delivery services, automobile dealerships, volunteer fire companies, labour-union locals, and political associations also found a negative relationship.

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A study of veteran's administration hospitals found the administrative component to decrease as the organizations increased in size. And investigation of five sets of

organizations including package delivery services, automobile dealerships, volunteer fire companies, labour union locals and political associations also found a negative relationship. In each of the sets of the organization as the size of the organizations increased the administrative component declined.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

The Negative-Correlation Argument

- In each of the sets of organizations, as the size of the organizations increased, the administrative component declined.
- Census information by industry was used by another investigator to test the size-administrative component relationship.
- While a negative relationship was found, it was concluded that this could be explained better as due to the loss of control across hierarchical levels than to economies of scale with large size.

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Census information by industry was used by another investigator to test the size administrative component relationship. When a negative relationship was found, it was concluded that this would be explained better as due to the loss of control across hierarchical levels, than to economies of scales with large sizes.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE
The Negative-Correlation Argument

- Moreover, owner-managed organizations and partnerships were found to be less likely to add administrators than incorporated firms were because to do so would result in dilution of the owners' personal power.
- So while this research confirms the negative correlation, it suggests that maintenance of control may be a primary motivator for owners of firms to keep the number of administrators and support staff in check as the size of the organization increases.

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Moreover, owner-managed organizations and partnerships, were found to be less likely to add administrators than incorporated firms were because to do so, would result in dilution of the owners' personal power.

So, while this research confirms the negative correlation, it suggests that maintenance of the control may be primary motivator for owners of firms to keep the numbers of administrators and support staff in check as the size of the organization increases.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE
The Curvilinear Argument

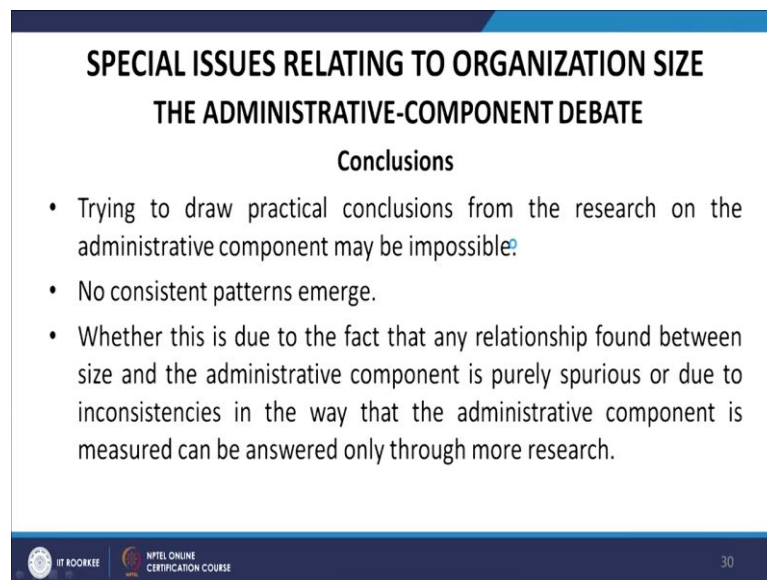
- There is also evidence to suggest that the size-administrative component relationship is not linear.
- Rather, it is curvilinear - the administrative component is greater for smaller and larger organizations than for those of moderate size.
- As organizations move out of the small category, they enjoy the benefits from economies of scale.
- But as they become large, they lose these benefits and become so complex as to require significant increases in the administrative component to facilitate coordination and control.

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Now, let us look at the curvilinear argument. There is also evidence to suggest that the size administrative component relationship is not linear. Rather, it is curvilinear that is, the administrative component is greater for a smaller and larger organizations than for those of moderate size.

As organizations move out of the small category, they enjoy the benefits from economies of scale. But, as they become large they lose these benefits and become so complex as to require significant increases in the administrative component to facilitate coordination and control.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

Conclusions

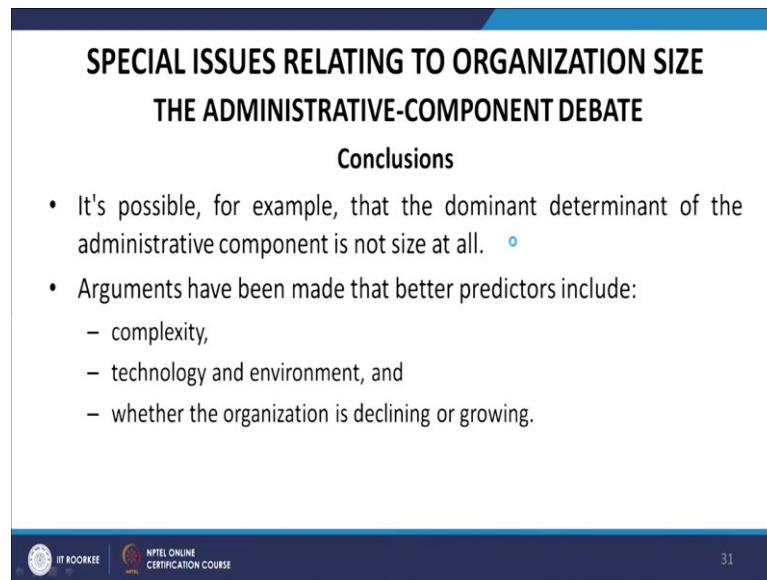
- Trying to draw practical conclusions from the research on the administrative component may be impossible?
- No consistent patterns emerge.
- Whether this is due to the fact that any relationship found between size and the administrative component is purely spurious or due to inconsistencies in the way that the administrative component is measured can be answered only through more research.

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Now, to conclude this administrative component debate trying to draw practical conclusions from the research on the administrative component may be impossible. No consistent patterns emerge.

Whether this is due to the fact that any relationship found between size and the administrative component is purely spurious or due to inconsistencies, in the way that the administrative component is measured can be answered only through more research. It is possible for example, that the dominant determinant of the administrative component is not size at all.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

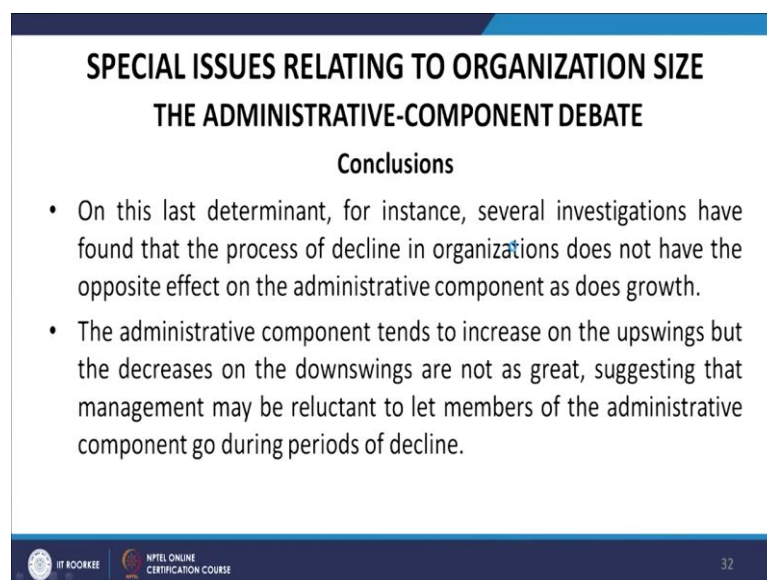
Conclusions

- It's possible, for example, that the dominant determinant of the administrative component is not size at all.
- Arguments have been made that better predictors include:
 - complexity,
 - technology and environment, and
 - whether the organization is declining or growing.

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Arguments have been made that better predictors include, complexity, technology and environment, and whether the organization is declining or growing. On this last determinant, for instance, several investigations have found that the process of decline in organizations does not have the opposite effect on the administrative component as does growth.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

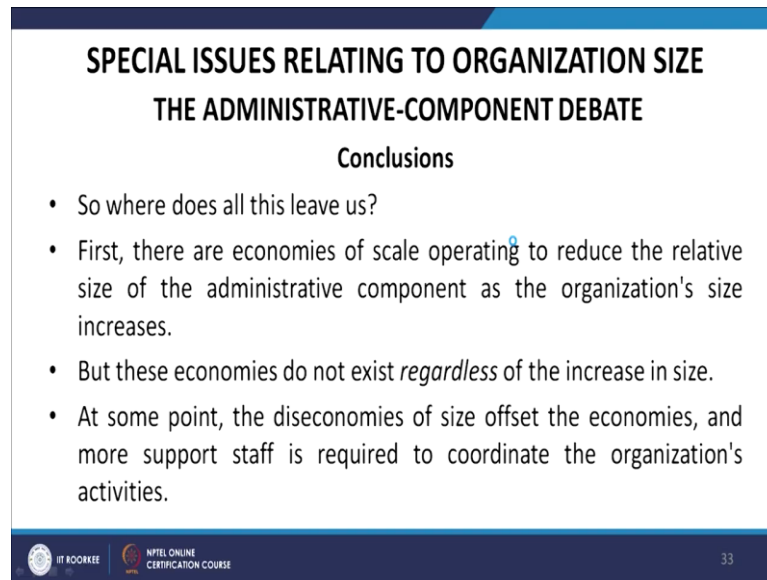
Conclusions

- On this last determinant, for instance, several investigations have found that the process of decline in organizations does not have the opposite effect on the administrative component as does growth.
- The administrative component tends to increase on the upswings but the decreases on the downswings are not as great, suggesting that management may be reluctant to let members of the administrative component go during periods of decline.

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The administrative component tends to increase on the up swings, but the decreases on the down swings are not as great, suggesting that management may be reluctant to let members of the administrative component go during the periods of decline.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE

THE ADMINISTRATIVE-COMPONENT DEBATE

Conclusions

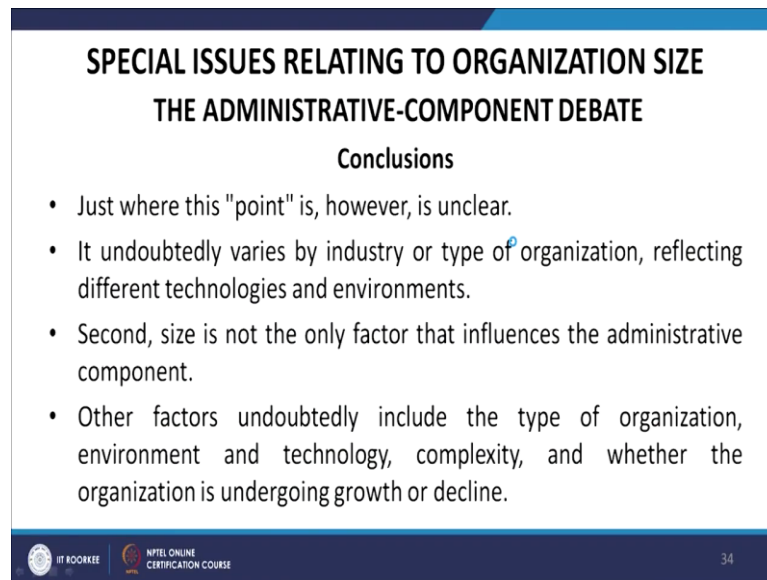
- So where does all this leave us?
- First, there are economies of scale operating to reduce the relative size of the administrative component as the organization's size increases.
- But these economies do not exist *regardless* of the increase in size.
- At some point, the diseconomies of size offset the economies, and more support staff is required to coordinate the organization's activities.

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So, where does all this leave us? First, there are economies of scales operating to reduce the relative size of the administrative component as the organization's size increases. But these economies do not exist regardless of the increase in size. At some point, that diseconomies of size offset the economies, and more support staff is required to coordinate the organization's activities.

Just, where this "point" is, however, is unclear. It undoubtedly varies by industry or type of organization, reflecting different technologies and environments. Second, size is not the only factor that influences the administrative component.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

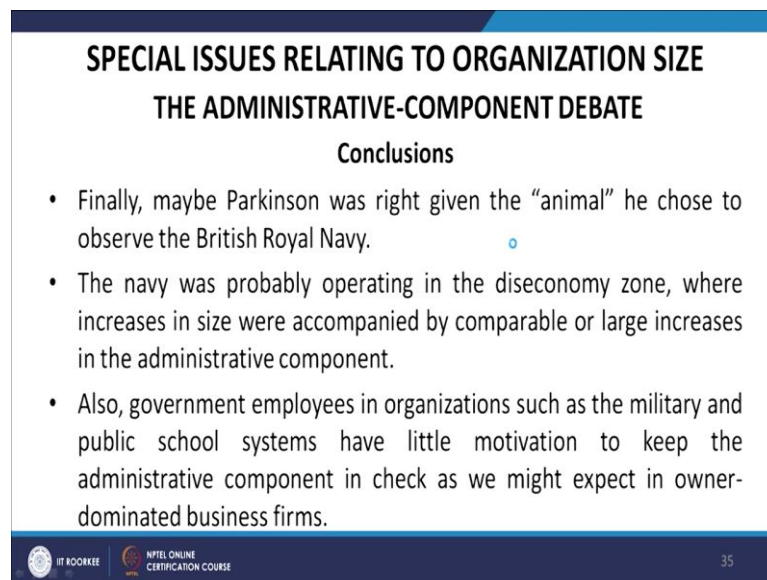
Conclusions

- Just where this "point" is, however, is unclear.
- It undoubtedly varies by industry or type of organization, reflecting different technologies and environments.
- Second, size is not the only factor that influences the administrative component.
- Other factors undoubtedly include the type of organization, environment and technology, complexity, and whether the organization is undergoing growth or decline.

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Other factors undoubtedly include the type of organizations, environment and technology, complexity, and whether the organization is undergoing growth or decline.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

Conclusions

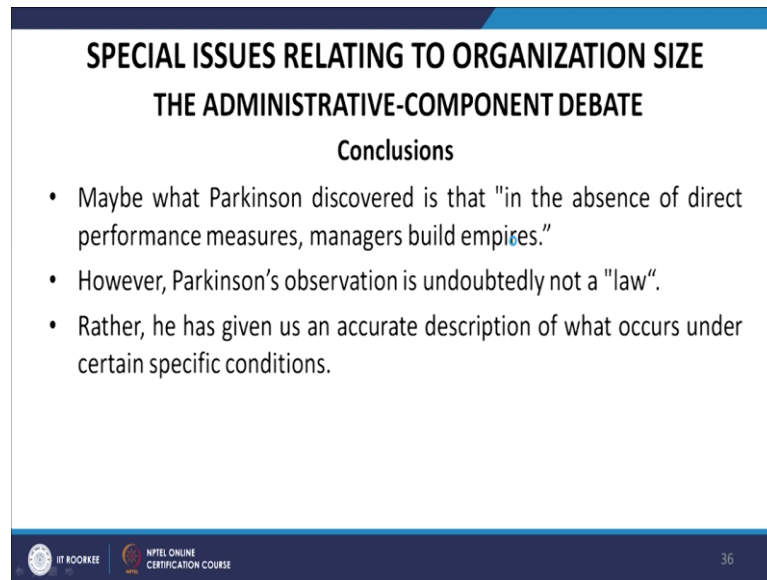
- Finally, maybe Parkinson was right given the "animal" he chose to observe the British Royal Navy.
- The navy was probably operating in the diseconomy zone, where increases in size were accompanied by comparable or large increases in the administrative component.
- Also, government employees in organizations such as the military and public school systems have little motivation to keep the administrative component in check as we might expect in owner-dominated business firms.

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Finally, maybe Parkinson was right given the "animal" he chose to observe, the British Royal Navy. The navy was probably operating in the diseconomy zone, where increases in size were accompanied by; comparable or large increases in the administrative component.

Also, government employees in organizations such as the military and public-school systems, have little motivation to keep the administrative component in check as we might expect in owner dominated business firms.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
THE ADMINISTRATIVE-COMPONENT DEBATE

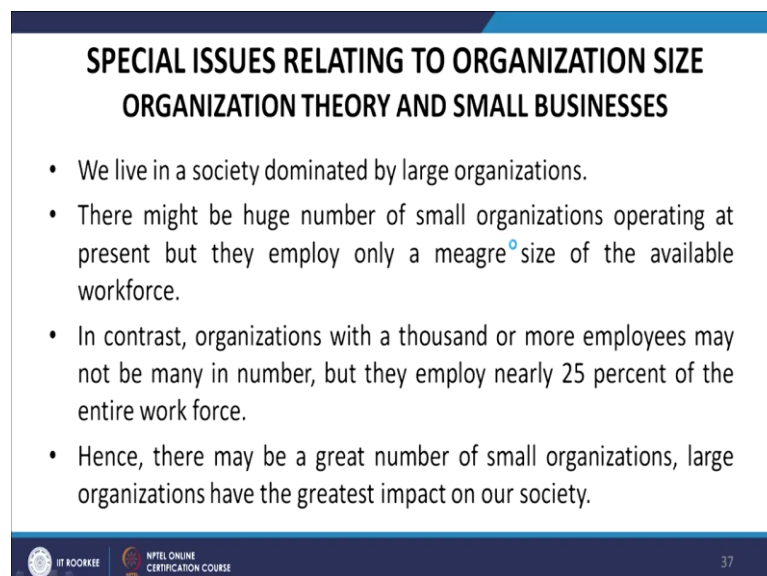
Conclusions

- Maybe what Parkinson discovered is that "in the absence of direct performance measures, managers build empires."
- However, Parkinson's observation is undoubtedly not a "law".
- Rather, he has given us an accurate description of what occurs under certain specific conditions.

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Maybe what Parkinson discovered is that in the absence of direct performance measures, managers build empires. However, Parkinson's observation is undoubtedly not a law. Rather, he has given us an accurate description of what occurs under certain specific conditions.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

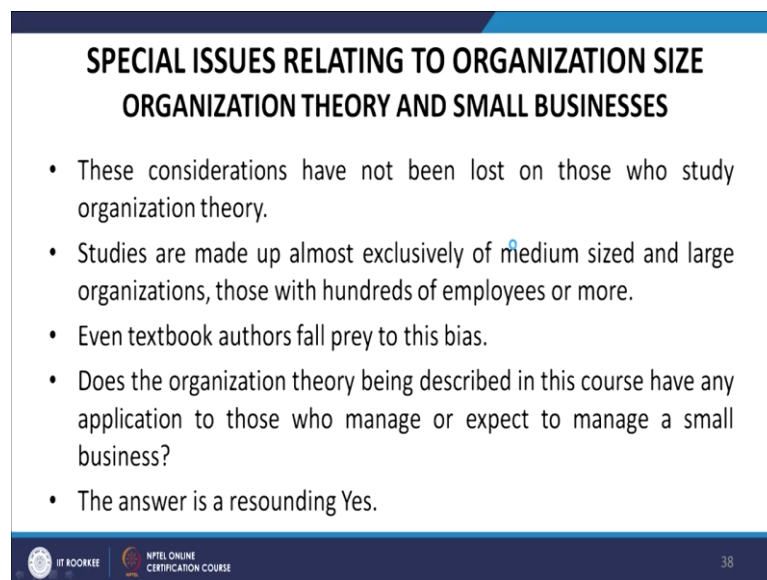
- We live in a society dominated by large organizations.
- There might be huge number of small organizations operating at present but they employ only a meagre size of the available workforce.
- In contrast, organizations with a thousand or more employees may not be many in number, but they employ nearly 25 percent of the entire work force.
- Hence, there may be a great number of small organizations, large organizations have the greatest impact on our society.

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Now, let us look at some special issues relating to organization size. And, now we are talking about the relationship of organization theory and small businesses. We live in a society which is dominated by large organizations. There might be huge number of small organizations operating at present, but they employ only a meagre size of the available workforce.

In contrast, organizations with thousand or more employees may not be many in numbers, but they employ nearly 25 percent of the entire workforce. Hence, there may be a greater number of small organizations; large organizations have the greatest impact on our society. These considerations have not been lost on those who study organization theory.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

- These considerations have not been lost on those who study organization theory.
- Studies are made up almost exclusively of medium sized and large organizations, those with hundreds of employees or more.
- Even textbook authors fall prey to this bias.
- Does the organization theory being described in this course have any application to those who manage or expect to manage a small business?
- The answer is a resounding Yes.

IT ROOKIEE NPTEL ONLINE CERTIFICATION COURSE 38

Studies are made up almost exclusively of medium sized and large organizations, those with hundreds of employees or more. Even textbook authors fall prey to this bias. Does the organization theory being described in this course have any application to those who manage or expect to manage a small business? The answer is a resounding Yes. The right structural design is critical if a small business is to succeed.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

- The right structural design is critical if a small business is to succeed.
- An important point, however, is that small businesses face different problems than large organizations.
- Therefore, we should expect a different priority to be assigned to OT issues by the small business manager.

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An important point; however, is that small businesses face different problems than large organizations. Therefore, we would expect a different priority to be assigned to organization theory issues by their small business managers.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

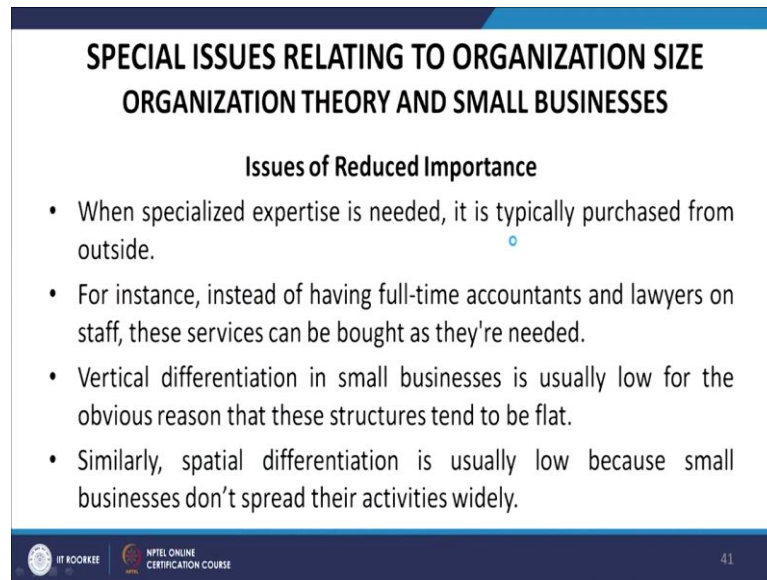
- All the structural variables take on lesser importance to the small business manager because the range of variation in small businesses is typically limited.
- Small businesses tend to have a minimal degree of horizontal, vertical, and spatial differentiation; and most are characterized by low formalization and high centralization.
- There is less internal specialization.

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Now, let us talk about the issue of reduced importance. All the structural variables take on lesser importance to the small business managers because the range of variation in small businesses is typically limited.

Small businesses tend to have a minimal degree of horizontal, vertical, and spatial differentiation; and most are categorized by low formalization and high centralization. There is less internal specialization.

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The slide features a blue header with the title 'SPECIAL ISSUES RELATING TO ORGANIZATION SIZE' in white. Below this, a subtitle 'ORGANIZATION THEORY AND SMALL BUSINESSES' is centered. The main content is under the heading 'Issues of Reduced Importance', which lists four bullet points. The slide footer includes logos for 'IT ROOKIEE' and 'NPTEL ONLINE CERTIFICATION COURSE' on the left, and the number '41' on the right.

SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

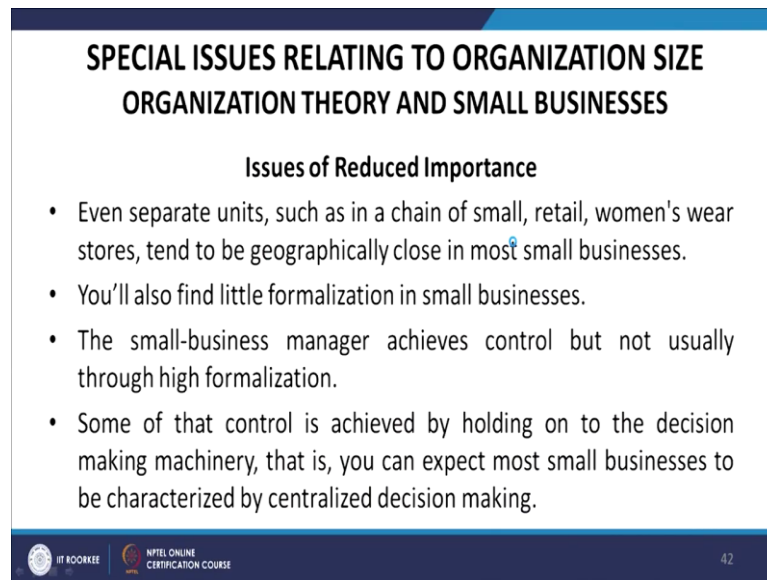
- When specialized expertise is needed, it is typically purchased from outside.
- For instance, instead of having full-time accountants and lawyers on staff, these services can be bought as they're needed.
- Vertical differentiation in small businesses is usually low for the obvious reason that these structures tend to be flat.
- Similarly, spatial differentiation is usually low because small businesses don't spread their activities widely.

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When a specialized expertise is needed, it is typically purchased from outside. For instance, instead of having full time accountants and lawyers on staff, these services can be sought as and when they are needed. Vertical differentiation in the small businesses is usually low for the obvious reasons that these structures tend to be flat.

Similarly, spatial differentiation is usually low because small businesses do not spread their activities widely. Even separate units, such as in a chain of a small, retail, women's wear stores, tend to be geographically close in most small businesses.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

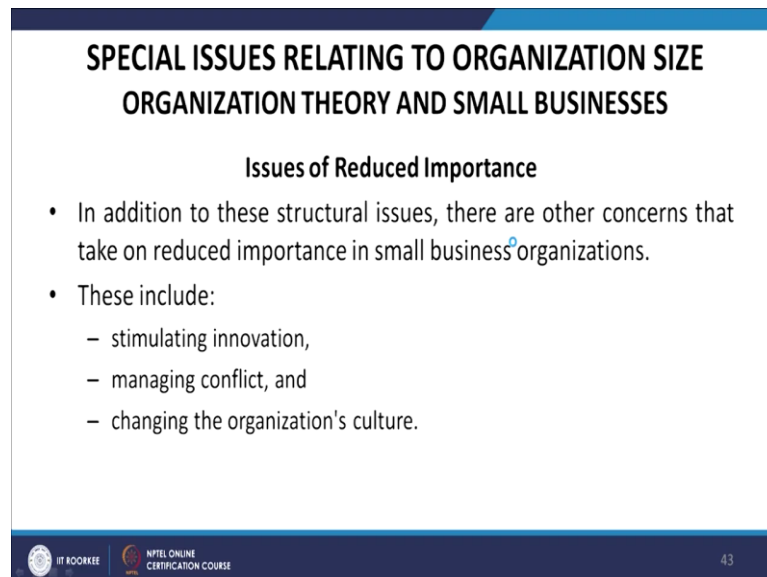
Issues of Reduced Importance

- Even separate units, such as in a chain of small, retail, women's wear stores, tend to be geographically close in most small businesses.
- You'll also find little formalization in small businesses.
- The small-business manager achieves control but not usually through high formalization.
- Some of that control is achieved by holding on to the decision making machinery, that is, you can expect most small businesses to be characterized by centralized decision making.

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You will also find little formalization in small businesses. The small business managers achieve control, but not usually through high formalization. Some of that control is achieved by holding on to the decision-making machinery that is, you can expect most small businesses to be characterized by centralized decision making.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

- In addition to these structural issues, there are other concerns that take on reduced importance in small business organizations.
- These include:
 - stimulating innovation,
 - managing conflict, and
 - changing the organization's culture.

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In addition to these structural issues, there are many concerns that take on reduced importance in small business organizations. These include stimulating innovation managing conflict, and changing the organization's culture. The topic of stimulating

innovation has reduced importance to small businesses. The concern of organization theorist with innovation is largely a response to the constraints, that high complexity and formalization impose on an organization's creative juices.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

- The topic of stimulating innovation has reduced importance to small business.
- The concern of organization theorists with innovation is largely a response to the constraints that high complexity and formalization impose on an organization's creative juices.
- These constraints don't exist in most small businesses.

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These constraints do not exist in most small businesses. Managing conflict should be of lesser importance for the small business managers because small size:

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

- Managing conflict should be of lesser importance for the small business manager because small size:
 - 1 - facilitates communication,
 - 2 - allows for all members to have a clear sense of the organization's mission, and
 - 3 - reduces the likelihood of goal incompatibility.

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1 facilitates communication, 2 allows for all members to have a clear sense of the organization's mission and 3 reduces the likelihood of goal incompatibility. Finally,

organization culture presents less of a problem for small businesses. Small organizations tend to be young in age.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Reduced Importance

- Finally, organizational culture presents less of a problem for small businesses.
- Small organizations tend to be young in age.
- As a result, they have less sense of history and fewer traditions.
- Because their cultures are younger and less entrenched, they are less likely to require change.
- When change is required, it's easier to implement.

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As a result, they have less sense of history and fewer traditions. Because, their cultures are younger and less entrenched, they are less likely to require change. When change is required, it is easier to implement. So, till now we were talking about issues of reduced importance. Now, we will talk about issues of increased importance.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

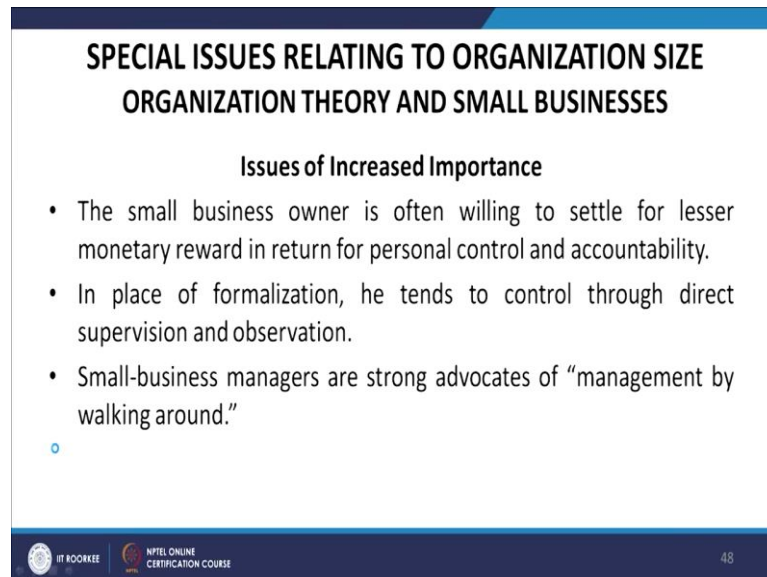
Issues of Increased Importance

- The OT issues that take on greater importance for small business include:
 - control and accountability,
 - efficiency, and
 - environmental dependence.

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The OT issues that take on greater importance for small businesses include control and accountability, efficiency, and environmental dependence. The small business owner is often willing to settle for lesser monetary reward, in return for personal control and accountability.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

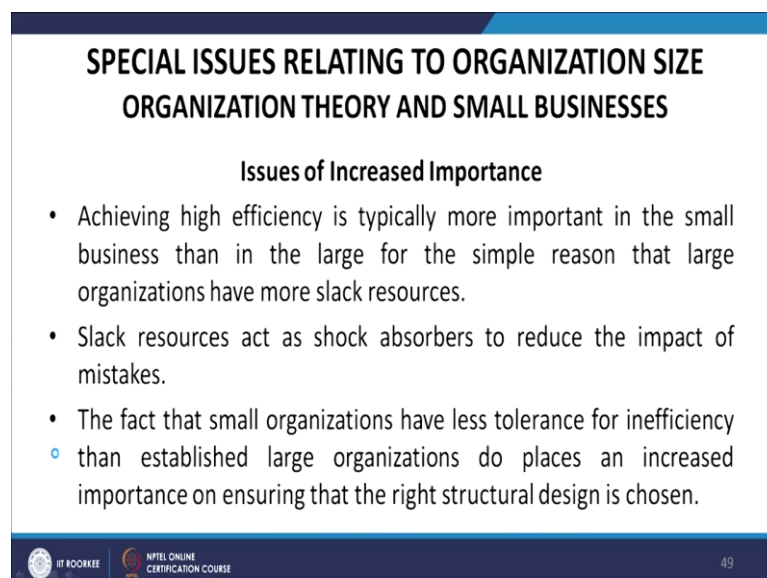
Issues of Increased Importance

- The small business owner is often willing to settle for lesser monetary reward in return for personal control and accountability.
- In place of formalization, he tends to control through direct supervision and observation.
- Small-business managers are strong advocates of “management by walking around.”

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In place of formalization, he tends to control through direct supervision and observation. Small-business managers are strong advocates of “management by walking around”.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

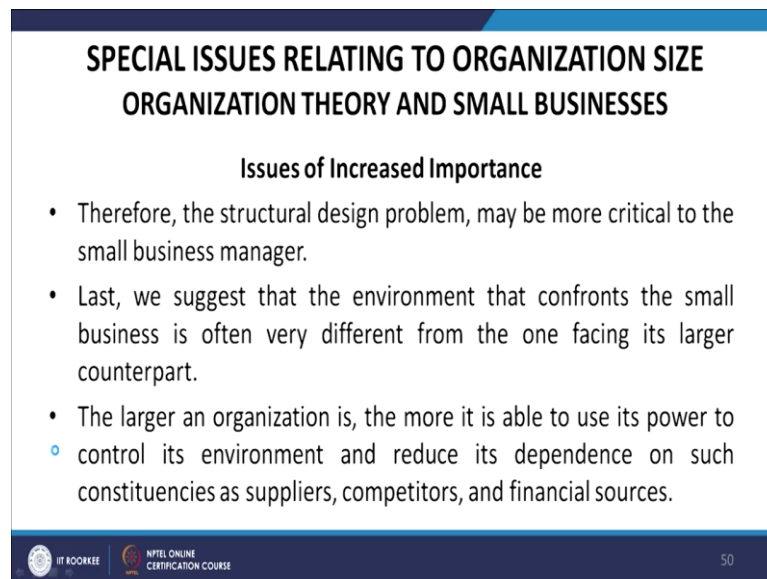
Issues of Increased Importance

- Achieving high efficiency is typically more important in the small business than in the large for the simple reason that large organizations have more slack resources.
- Slack resources act as shock absorbers to reduce the impact of mistakes.
- The fact that small organizations have less tolerance for inefficiency
 - than established large organizations do places an increased importance on ensuring that the right structural design is chosen.

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Achieving high efficiency is typically more important in small businesses than in large for the simple reason that large organization have more slack resources. Slack resources act as shock absorbers to reduce the impact of mistakes. In fact, the fact that small organizations have less tolerance for inefficiency, than established large organizations, do place an increased importance on ensuring that the right structural design is chosen.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Increased Importance

- Therefore, the structural design problem, may be more critical to the small business manager.
- Last, we suggest that the environment that confronts the small business is often very different from the one facing its larger counterpart.
- The larger an organization is, the more it is able to use its power to
 - control its environment and reduce its dependence on such constituencies as suppliers, competitors, and financial sources.

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Therefore, the structural design problem may be more critical to the small business managers. Last, we suggest that the environment that confronts the small business is often very different from the one facing its large counterpart.

The larger an organization is, the more it is able to use its power to control its environment and reduce its dependence on such constituencies as suppliers, competitors, and financial sources. Small businesses rarely have much influence over their environment.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Issues of Increased Importance

- Small businesses rarely have much influence over their environment.
- This places an increased importance on the organization's environmental monitoring system.
- The effective small business must have a structural design that facilitates rapid and accurate assessment of its environment and allows for this information to be acted upon promptly.

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This place is an increased importance on the organization's environment monitoring system. The effective small business must have a structural design that facilitates rapid and accurate assessment of its environment and allows for this information to be acted upon promptly.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

Conclusions

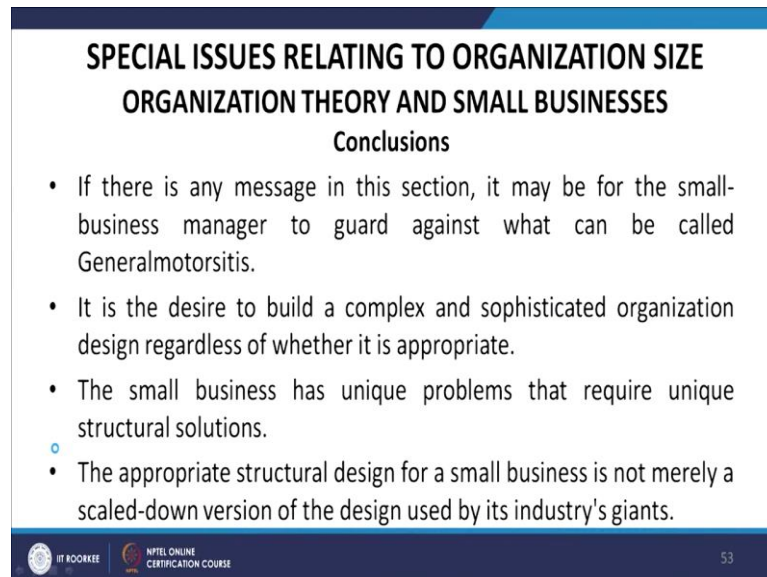
- Small businesses are different from their larger counterparts.
- They have different concerns and priorities.
- Some issues discussed in this course have limited relevance to the small organization while others take on much greater importance.
- In addition to the different OT agenda that small businesses have, we have argued that their managers have a more limited set of structural options.

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To conclude, small businesses are different from their larger counterparts. They have different concerns and priorities. Some issues discussed in this course, have limited relevance to the small organizations while others take on much greater importance.

In addition to the different OT agenda that small businesses have, we have argued that their managers have a more limited set of structural options. If there is any message in this section, it may be for the small business managers to guard against what can be called General motorists.

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SPECIAL ISSUES RELATING TO ORGANIZATION SIZE
ORGANIZATION THEORY AND SMALL BUSINESSES

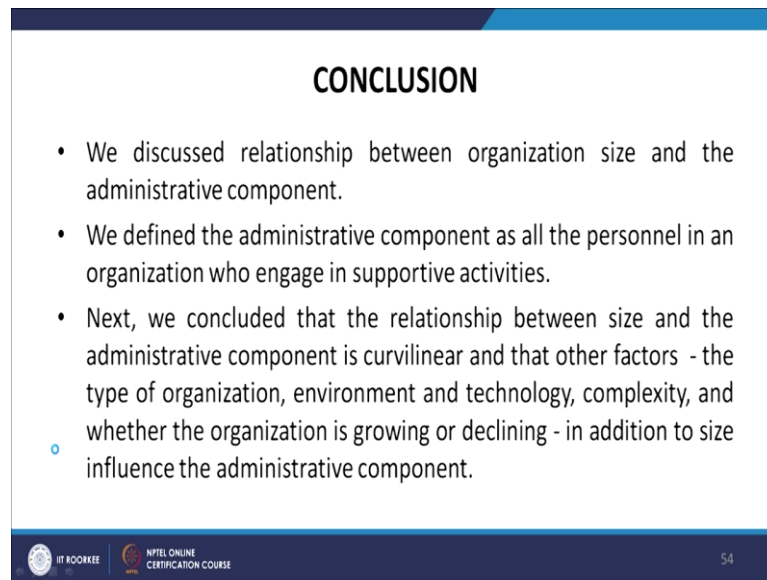
Conclusions

- If there is any message in this section, it may be for the small-business manager to guard against what can be called Generalmotorsitis.
- It is the desire to build a complex and sophisticated organization design regardless of whether it is appropriate.
- The small business has unique problems that require unique structural solutions.
- The appropriate structural design for a small business is not merely a scaled-down version of the design used by its industry's giants.

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It is the desire to build a complex and sophisticated organization design, regardless of whether it is appropriate. The small business has unique problems that require unique structural solutions. The appropriate structural design for a small business is not merely a scaled-down version of the design used by its industry's giants.

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CONCLUSION

- We discussed relationship between organization size and the administrative component.
- We defined the administrative component as all the personnel in an organization who engage in supportive activities.
- Next, we concluded that the relationship between size and the administrative component is curvilinear and that other factors - the type of organization, environment and technology, complexity, and whether the organization is growing or declining - in addition to size influence the administrative component.

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So, to conclude this module, we had discussed relationship between organization size and the administrative component. Then, we defined the administrative component as all the personnel in an organization who engage in supportive activities.

Next, we concluded that the relationship between size and the administrative component is curvilinear, and that other factors, the type of organization, environment and technology, complexity, and whether the organization is growing or declining in size in addition to size influence the administrative component. Finally, we noted that OT is based on studies made up almost exclusively of medium sized and large organizations.

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CONCLUSION

- Finally, we noted that OT is based on studies made up almost exclusively of medium-sized and large organizations.
- However, small businesses face different problems and have a different priority in terms of importance of OT concepts.
- In addition to the fact that small businesses have a different OT agenda, their managers have a more limited set of structural options.

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However, small businesses face different problems and have a different priority in terms of importance of OT concepts. In addition to the fact that small businesses have a different OT agenda, their managers have a more limited set of structural options.

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And, these are the four books from which material for this module was taken.

Thank you.