Designing Work Organization
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Lecture-47
Organization Size and Complexity of Organization

In the organization size and complexity of organization, earlier we have discussed about these small size and large size of the organizations. Now, the organizational characteristics during the life cycle, what is the bureaucracy and weavers dimensions of the bureaucracy and the basis of organizational authority. The size and the bureaucratic structure, the types of the complexity, building up layers of the complexity in the organizations, how do I manage the complexity in my organization, the McKinsey quarterly and as usual we will be talking about the case study, research papers, book recommendations and references. As the organizations evolve through the four stages of the life cycle, changes take place in the structure control systems, innovation and goals. The organization's characteristics associated with the each stage are the entrepreneurial stage, initially the organization is small and non-bureaucratic and one person show the top manager provides the structure and the control system. Organization energy is devoted to the survival and the production of a single product or service.

In collectivity, this is organization's youth, growth is rapid and the employees are excited and committed to the organization's mission. The structure is still mostly informal, although the some procedures are emerging and the continued growth is a major goal. The formalization at this point, the organization is the entering the midlife, the bureaucrats characteristics emerge major goals are internal stability and the market expansion. The top management delegates, but it also implements the formal control systems.

This is the stage where the Jeff Bezos of the Amazon is having the trouble managing the transition because he does not want to give up the personal control. Elaboration, the mature organization is large and bureaucratic with the extensive control systems, rules and the procedures. Organization managers attempt to develop a team orientation within the bureaucracy to prevent the further bureaucratization. So, top managers are the concerned with the establishing a complete organization. So, innovation is institutionalized through R&D department.

Management may take the bureaucracy and the streamline it. So, therefore, these are the four stages are there during the organizational life cycles are there. So, when we talk

about that is the embryonic stage, then the growth, then maturity and then declining is there. So, similarly, we are talking about that is at a declining stage, the elaborations become the more important is there. Now, I will like to explain this particular figure and here we find out that is these particular four stages that is the entrepreneurial, collectivity, formalization and the elaboration is there.

So, what changes are there in the case of the structure is there. In the structure in entrepreneurial stage, there will be the informal and one person show is there. And then in the bureaucratic stage that is the collectivity is there and mostly the informal some procedures are there. In the formalization, formal procedures, division of labor, new specialists are added and when it is getting the elaboration, so very bureaucratic is the teamwork within bureaucracy, small company thinking multiple products or service lines are there. So, single product or services in the case of the entrepreneur, while the multiple products or services are in the case of the elaborations are there and in the collectivity or the prebureaucratic stage, it is a major product or the service with the variations are there.

And in the formalization, we find out that is a line of products or the services are there. Here, in the reward and power control system, in during the lifecycle of the organization in the beginning, actually it becomes a personal and patternistic is there, while in the case of the elaborations, it becomes the extensive tailor to product and the department is there. While in the prebureaucratic and bureaucratic stages, we find that is a personal or contribution to the success is there and in case of the bureaucratic, it is the impersonal formalized systems are there. These innovations by the own managers, by employees and the managers, by separate innovation group and by institutionalized R and D departments. So, in case of the goal is there, here the non bureaucratic stage, then it becomes the survival and as the organization survives, then it goes for the growth.

And in the case of the growth, here we will go for this particular aspect in the where the we talk about that is the how organizations they are becoming the personal growth in the case of the separate innovation group, internal stability and market specialization in the case of the formalization. However, in case of the elaborations, we find out the goal is becoming the reputation and the complete organization. And the finally, when we talk about the top management style, in the case of the beginning of the organization's life cycle in the non-bureaucratic stage, it becomes the individualistic and entrepreneur. While in the case of the prebureaucratic, it becomes the charismatic and action giving. In the third stage of the formalization or the bureaucratic when we say it is a delegation with the control that process starts and in case of the elaboration, it is a team approach and the attack the bureaucracy is there.

Now, when we talk about the bureaucracy then question arises what is the bureaucracy? The systematic study of the bureaucracy was launched by the Max Weber, a sociologist who studied the government organizations in Europe and developed a framework of the administrative characteristics that would make large organizations rational and efficient. So, although Weber perceived bureaucracy as a threat to become the personal liberties, he also recognized it as a most efficient possible system of organizing. He predicted the triumph of the bureaucracy because of its ability to ensure more efficient functioning of the organizations in both business and the government settings. The rules and   the standards procedures enabled the organizational activities to be performed in a predictable routine manner, specialized duties meant that each employee had a clear task to perform.   So, hierarchy of the authority provided a sensible mechanism for the supervision   and   control.

So, technical competence was the basis by which the people were hired rather than the friendship, family ties and their favoritism. And the separation of the position from the positions of these the holder meant that individuals did not own or have an inherent right to the job, which promoted the efficiency of written records provided and organizational memory and the continuity over time. Although bureaucratic characteristics carried out to an extreme are widely criticized today, the rational control introduced by the Weber was a significant idea and a new form of the organization. The bureaucracy includes the rules and the standard procedures and the clear task and specialization hierarchy of authority and the technical competence is there. Now, the Weber's dimensions of the bureaucracy and basis of organizational authority, they are talking about separate positions   from   the   position   holder.

And here the these particular bureaucracies leading to the written communication, sending the record rules and procedures, they will take care and the bureaucracies for this specialization and the division of labor, the hierarchy of authorities and technically qualified personnel are there. So, therefore, these Weber's dimensions of bureaucracy and that they are giving the basis of the organizational authority. In this field of the organization theory, organization size has been described as an important variable that influences the structural design and methods of the control should an organization become the more bureaucratic as it grows larger. In what size organizations are the bureaucratic characteristics most appropriate? More than 100 studies have attempted to answer these questions and most of these studies indicate the large organizations are different from small organizations along the several dimensions of bureaucratic structure, including formalization, centralization and the personnel ratios. When we are talking about the formalization, it refers to the rules, procedures and written documentations such as the policy manuals and job descriptions and that prescribe the rights and duties of   the   employees.

Usually large organizations are more formalized since they rely on rules, procedures and the paperwork to achieve standardization and the control across their large number of employees and the departments. For example, a locally owned coffee shop in a small town does not need the detailed manuals, policies and the procedures and data Starbucks uses to standardize and control its operations around the world. When we are talking about the centralization, it refers to the level of hierarchy with authority to make the decisions. In centralized organizations, decisions tend to be made to be the top. In decentralized organizations, the similar decisions would be made at a lower level.

As an organization grows larger and has more people and developments, decisions cannot be passed on to the top because the senior managers would be overloaded. Thus, the organizations that permit the greater decentralization. In small startup organizations, on the other hand, the founder or the top executive can effectively be involved in every decision, large and small. So, in personnel ratio, the another characteristics of the bureaucracy that relates to the personnel ratios for the administrative, clerical and the professional support staff is there. The ratio of the top administration to the total employees is actually smaller in large organization.

So, indicating that the organizations experience administrative amenities and then they grow larger. The clerical and the professional support of staff ratios tend to increase in the portfolio to the organization size. And the clerical ratio increases because of the greater communication and reporting the requirements needed as organizations grow larger, the professional staff ratio increases because of the greater need for the specialized skills in larger complex organizations. As organizations increase in size, the with the administrative ratios and that defines and the ratios for the other support groups increases and the net effect for the direct workers that they decline as a percentage of the total employees. In summary, whereas the top administrators do not make up a disproportionate in the number of employees as a large organizations, then in large the idea that proportionately greater overhead is required in the large organization is supported.

Although large organizations reduce the overhead during the different economic years of the 1980s and overhead costs for the many American corporations began the creeping back to the again as revenues and score during the late 1990s. With the declining US economy many companies have again been the struggling to cut overhead cost, keeping costs for the administrative clerical and professional support staff, low represents on the ongoing challenges for the large organizations. In the personnel ratios then when we talk about, so it goes in the organizational size, when it is a small, then it is going for the top administrators will be there. So, percentage of the employees of the top administrator

and that will be higher, but as soon as the organization size becomes the large, then this top administrators there you will find that is the clerical staff is less. Similarly, here the percentage when we talk about the professional staff, the professional staff that keeps on increasing from this as the organization size increases the percentage of employees that also   increases.

 When we are talking about the line employees, in the line employees when the organization size is small, then we find that line employees are more, but as soon as the organization size increases the line employees are less. So, this particular diagram give us a message that is the size of the organization and the number of the top administrators, professional staff, clerical staff, line employees that also gets affected and the percentage of employees for this professional staff and the clerical staff that increases while the line employees and the top administrators, the percentage of employees that decreases. So, here when we talk about the complexity, here the imposed complexity includes the laws, industry, regulations and interventions by the non-governmental organization and it is not typically manageable by companies. Design complexity is intrinsic to the business and can only be jettisoned by the existing portion of the business is there. The design complexity results from the choices about where the business operates, what it sells to whom and how companies can remove it, but this could mean simplifying valuable wrinkles   in   their   business   model.

  So, unnecessary complexity arises from the growing misalignment between the needs of the organization and the processes supporting it once identified it is easily diminished. And this building of layers of the complexity in the organization's inherent complexity, then the design layers of the organizational complexity and then it is going to be the dysfunctional complexity and the imposed complexity is there that is the externally imposed. So, here we will find out that is this layer of these the complexity in the organizations when internally generated and where the external is generated, these complexity is increasing. So, when organizations first begin to operate in the marketplace, the initial degree of complexity in managing them is limited, because the same way the people are involved in the setting of the strategic goals and the operating the day to day businesses. So, at this initial stage the strategic complexity has a substantial overlap with the operational complexity and because of the active internal and the external network, the nodes and the interactions are few and easy to understand and   control.

  With time and growth if the business succeeds and new layers of complexity are added, the active network evolved by the addition of the new nodes and new links which may represent a new business functions. New roles and these here we will find that is these new positions, new managers, new workers that inside along with the new customers,

new suppliers and the possibly added the interactions with the government agencies outside. First at the core there is an inner layer of the inherent complexity associated with the basic components required for an organization to perform needed the key functions and tasks for, for example, a new small hotel must operate certain basic functions such as the reception, guest to handle reservations, room cleaning facilities, maintenance, etcetera. Moving outwards the second layer refers to the design complexity and is added to provide a desired differentiation of the products or services for the special process required for the competitive advantage. Design complexity is associated with the certain desired features offered to customers or the certain process attributes such as the flexibility or the reliability needed to serve a specific market segment.

So, Dell's unique supply chain features contribute to this component of the design complexity but is offset by the strong competitive advantage of the serving each customer's unique requirements. The third layer refers to an organization's dysfunctional complexity which originates in existing misalignment in the business processes and the results from these ambiguous rules or the decision rules are from the disconnects in the production and the distribution processes of the supply chain is there. Finally, the outer layer of the 'complexity onion' represents the imposed complexity from the environmental conditions and the constraints. These are related to the government tax laws, trade laws, environmental regulations are the other rules and limitations specific to a given industry. As an organization grows and expands with more facilities, more products, more suppliers, etcetera, the above layers of complexity increases in size and have further adverse impacts in managing the organizations at the strategic and the operational   levels.

So, how do I manage the complexity in my organization? McKinsey quarterly is it talk about why this is important. So, all companies must grow. It is an imperative that is the driver companies to create new products and services, enter the new regions and move into the new businesses. As they expand, they inevitably become the more complex. Their organizational structures develop the layers upon layers, their reporting lines become detangled and then the people from senior management through to the frontline find   it   harder   to   get   the   work   done.

When the time, energy and resources are spent on activate and interaction that do not create value, complexity starts up to damage complexities performance, but the complexity cannot always a bad thing. When we analyze drivers of the perceived value creating, we found that the some of the most important tend to create complexity as well as value. The number of the customers you have the number of the products or services you deliver, the extent to which the people cooperate and multitask within your organization, the number of the countries you operate it and the number of the people

you employ all increase the level of the complexity in your company as well as the helping you to make more money. So, handle well this kind of the complexity helps rather than the hinders your company's performance. On the other hand, some factors that destroy value as well as the adding complexity, the amount of regulations in your industry and how quickly it changes, the extent of duplication in the activities, roles, responsibilities in your organization, the frequency of the change in your organization, structure and the rate of new entry and change of strategy by your competitors all tend to make your company less profitable and the more complex   is there.

This is the kind of the complex that you may well want to the making managing the complexity well and that can create the 3 major benefits are there. So, higher return is the research with the 1,150 senior executives of the major companies, (each of which had at least the 1,000 employees), we found that the companies reporting low levels of complexity, (those where it was the easy to get things done), had the highest return on capital employed and the highest return on the invested capital. So, lower cost in our experience 4 out of five organization that reduce the complexity also reduce their cost. Some have the saved almost 20% of the personal cost by eliminating the activities that create   the   complexity   but   add   little   value.

are there. So, improved employees satisfaction and that reducing the complexity removes various to the getting the things done. When one retailer managed to cut the time it took to diversity and approach the some new products by almost half, it also took care of this the frustration experienced by the product development and operational staff at the same time. When we talk to executives, they recognize the scope for the creating value from the complexity, but they are equally aware of the problem it can cause. So, poor responsiveness to the customers, weak risk management, inefficient processes and the confusion and stress among employees are there. So, worse they feel that the problems are the becoming the more acute and fuelled by such factors as the rising levels of the mergers and acquisitions, product proliferation, increasing regulations and the greater   emphasis   on   internal   collaboration.

What can we do? They ask to manage our rising levels of the complexity more effectively? what do I need to know the leaders wanting to manage the complexity well should be aware of the few insights that could make it the difference is there. So, not all complexity is bad, these complexity is not always harmful. It is often value in having the multiple business units and operating in a global scale. Complexity can be part of a successful business plan as the deal shows by these custom building computers at a speed to the meet the individual orders. Similarly, the broadening a product offering many   brings   benefits   that   they   outweigh   the   cost.

So, what leaders see is complexity is not what the organization experiences complexity. So, when we asked top executives about the sources of complexity in their business, they focus on the external and the structural factors, the scale and the scope of their company, the design of the other organizations and the new legislation. But when talked to people two or three levels down, often they place in the change of the clients or projects or the operational units. The story was very different for them complexity mainly research in such thing as the unclear reporting lines that is having the easily defined accountabilities and the insufficient internal processes. So, it is not that anyone was not right or wrong.

The point is that the different forms of the complexity manifest themselves at different points in an organization and that means that any company wanting to tackle the complexity must start by the looking at how it is experienced throughout the whole organization. So, it is easy to mistake the symptoms there for cause many organizations complain of the problems such as the excessive bureaucracy, proliferation meaning and slow decisions making but the treating the symptoms without treating their root cause leads to a short term solution at best employees on one major financial institution felt that they were spending too much of their time on the unproductive work particularly in meeting of that did not keep to the agenda or they make the decisions. Before addressing the symptoms, however, the company investigated likely cause and discovered that accountabilities within the organization were both unclear and duplicated between the roles are there. To arrive at a lasting solution, it coupled measures to the address the symptoms data such as the creating the new protocol to keep the meetings on track and we work to address the causes such as the redefining which parts of the organizations were responsible for what and building the new accountabilities into the descriptions. So, leaders are not created equal in their ability to manage the complexity, the level of complexity and individual experience does not always correlate with the formal complexity   of   his   or   her   role.

The part of the reason is that that is the certain individuals are the better at the coping with the complexity than the others are there. So, what sort of the capabilities does a manager need to tackle complexity efficiently. So, we call them these ambidextrous capabilities, the ability to keep these business that is ticking on a daily basis while looking for ways to expand and improve it. Examples might be include the going out of the our way to the collaboration with the others on cross business projects, taking the initiative to pursue the opportunities that lie beyond our formal role definitions. Keeping multiple projects going the same time and helping people from the different areas to connect   with   one   another.

So, organizations can build such capabilities through the targeted training another helpful step is to identify particularly that is a complex roles. These are pivotal to

strategy delivery and then look for the people with the ambidextrous capabilities to fill them is there. So, carrying on as normal would not make the complexity go away. Organizations that report high level of complexity are poor at the creating the value. So, this is not an issue that on management can afford to ignore or delegate to others.

So, leaving employees to the struggle with the complexities in the hope that they will eventually learn how to manage. So, it wastes energy and resources. So, when people find it hard to get the things done or the decision made their models of first and the frustration sets in. So, to prevent this downward spiral taking hold the top team leads needs to address the issues that is the head on is there.

Such a case is may respond to a targeted approach. And they are taking people out of a particular process to simplify it reducing the number of the people involved in making the key decisions are moving people with the ambidextrous capabilities into the complex roles. Changes like this can make all the differences, but they would not they do not easily happen without active intervention from the top is there. This is the case study which you can refer for your further readings that you can find out that is how here these complexity that can be handled with the help of the employees understandings. So, employees are asked to clean off their desk at the end of each day.

So, they can start fresh the next morning is there. Now, in this particular case study you will find that is the focus is more on that is the how you can find out in a complex situation the these solutions and also the role of a leader where the knowledge performance and capacity, advocates, evidence, positions and leadership these all the dimensions they are taken into the considerations are there. This is the research paper, the effect of organizational size and the age on the position and the paradigm innovation. So, this paper the proposes to contribute to knowledge and the theory on the innovation in small and medium organizations SMEs. They exploring the role of the size and the age on the organizational engagement with position and the paradigm innovations are there. The findings of this particular paper, we suggest that the organization engagement with the position and paradigm innovation is not affected by the either age or the size as concern rather than it here it has been focused on the research that is if you can make the better engagement with the positions then definitely this paradigm innovations that can be taken care of.

This is a prior research based primarily on the process and the product innovation has generated contradictory results regarding whether size or age that effect innovation. So, this study contributes by focusing on the previously unexplored concepts of the position and the paradigm innovations is there. This is the book that is a title is the complexity in the organizations that is a research overview is there. So, in this book, it has been

mentioned that is the how that the research that can help you in the chaos and complexity situations of an organization to find out the solutions are there. So, by welding the fundamental theoretical themes and the practical implications into the political and social context in which they emerge as we have talked in the earlier the theoretical part that is the how these political, social and economical issues they are affecting and then in that case, if these issues are creating the complexity, how you can find out the solutions are there.

So, these are the references which you can refer for your further studies into the details and you can identify that is the how complexity can be also the beautiful to find out the solutions are there. Thank you. Thank you.