

Principles of Management
Prof. S Srinivasan
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Module - 05
Lecture – 22
Organisational Design and Structure

Welcome to lecture 2. Today we are going to discuss about Organisational Design and Structure. In the lecture 1, we discussed about the organization and principles and process of organisation. Today we are going to discuss about organisational design and structure.

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Let us get into the lecture. Now, what is organisational design? Now, organisational design it is in general form you know it is always you know set up you know managerial decision which will impact the in a kind of structure organization will have.

Generally, we always know people always talk about that know organization design facilitates you know effective functioning coordination and staff motivation. So, organisational design is nothing, but know it is also discussing about the way the

structure of the organization will be defined. So, it is always that the organization structure can be managed and changed through the process of organizational design.

So, let us look at you know specific definitions given by Aswathappa. So, he says, organizational design is a process by which managers select and manage elements of structure. So, that organization can control activities necessary to achieve the goal.

So, it is nothing but an organization design is nothing, but you know how we are going to define and structure the way organization has to exist and so that you know you are able to effectively coordinate between the you know different working groups you will be able that you will eventually will able to help our organization to achieve their goals.

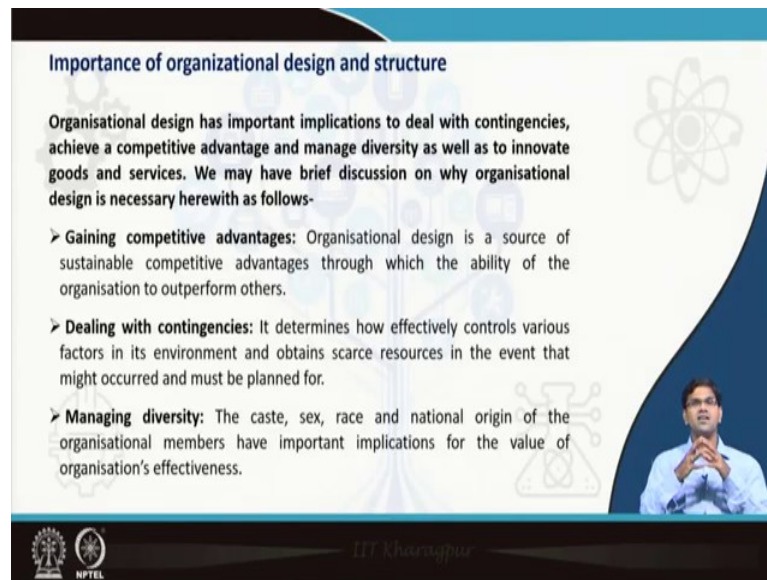
Organization design is actually a formal process of you know integrating people information and technology in the organization right. You will always have you know people information and technology the organization design will trying to create an efficient system by way of a structure. So, organizational design is always concerned about how we are going to create an efficient structural system.

So, that you know your organization is having sufficient capacity to achieve the organizational goal. So, where now, we need to understand organization structure also since you know we said know organization design is always impacting to decide what kind of an organization structure one should have right. Now, what is organizational structure then? Organizational structure is nothing but it is a formal authority power and roles in the organization.

So, organizational structure decides about a specific structure of you know the power and then authority and the roles in the organization. It can be may be based on a different functional area may be on a different level let us say middle management, top management, and the lower level employees, team leaders or it may be at different functional areas department be specific.

But organizational structure decides the way you know a people are assigned in different levels and authorities. So, that there is a coordinated effort to achieve the organizational goal.

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Importance of organizational design and structure

Organisational design has important implications to deal with contingencies, achieve a competitive advantage and manage diversity as well as to innovate goods and services. We may have brief discussion on why organisational design is necessary herewith as follows-

- **Gaining competitive advantages:** Organisational design is a source of sustainable competitive advantages through which the ability of the organisation to outperform others.
- **Dealing with contingencies:** It determines how effectively controls various factors in its environment and obtains scarce resources in the event that might occurred and must be planned for.
- **Managing diversity:** The caste, sex, race and national origin of the organisational members have important implications for the value of organisation's effectiveness.

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Now, we will also try to discuss about the importance of organizational design. Why we should learn about the organization design, how this organizational design is actually contributing towards the success of the company. Let us you know see some of the specific importance.

So, organizational design has important implications to deal with contingencies. Because contingency we every company you know experiences contingency right. Lot of challenges are coming up there are limitations are coming up the issues are opening up there is a challenge with respect to uncertainty are the limited resources. There are always the contingencies. So, organization design will always help a company to deal with the contingencies.

Let us say you know with the limited resource, how do you function, how do you effectively run your business. Let us say you know the increasing you know competitors how I am going to make my business more viable and still be successful right, then create a competitive advantage. So, organizational design will always you know create. For example, I talk about a specific you know market right. Let us talk a about one particular product we know for a particular product I can take an example of an air conditioners.

If you take an air conditioner you will always see it is not only one company produces air conditioners, no. There are so many companies are producing, but despite so many

companies are producing how we are going to increase your market share holding or how are you going to make profitability because you know maybe one company may be having an advantage of going for a cheap labour and then you know making bigger revenues or sometimes you know going for a cheaper.

Let us say big since they have a cheaper labour they maybe go for a competitive pricing you have to you know create your competitive advantage this organisational design will help you to see that you know how you will be able to take a competitive advantage. And manage diversity for example, every company will have you know people come from a different background, different regional areas you know race and then you know origins different national origins that will also help you to manage those you know diverse group.

And also, you know organisational design will actually allow you to innovate you know different ideas; you know different goods or the product or services. Let us see some of the important you know importance of this organisational design and structure. So, it will actually you know help organization gain competitive advantage. So, organisational design is a source of sustainable competitive advantages through which the ability of organisation to outperform others.

For example, now if some organisational structure you know you talk about it very rigid. It will not give you any freedom to you know bring in more ideas or implement that kind of an ideas in your workplace unless otherwise you know you do not bring in creativity and innovation; your customers may not be happy you know or at least if you are bringing some ideas which can able to know reduce cost or let it save or increase profit. Then, that is actually giving a lot of competitive advantage you know organizational design becomes the important source to you know create the competitive advantage then dealing with contingencies.

So, organisational design will actually help you to deal with the contingency right. Because you know it will actually determine how effectively control various factors in environment and obtains scarce resources in the event that it might occurred or must be planned for. So, organisational structure will help you to deal with certain contingencies. Let us say you know if your structure gives a lot of flexibility, then all of a sudden you are experiencing some challenges in the business environment.

Since your organisational structure given you some flexibility you will be able to quickly you know make your decision. Let us say you know compared to the on contrast if there is another organization their structure is very rigid. There is no flexibility, then you know that particular company will not you know succeed in the particular situation whereas, the other company that provided flexibility that would have and I have a lot of edge over the other company another company right.

Managing diversity; as I already discussed about it you know organisational design will actually help you to manage the diverse workforce in your organization. The people come from different ethnical background, different caste, race, sex and then you know national origins. So, you need to you know ensure that know how do you manage this diverse workforce in a company.

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Importance of organizational design and structure

- **Efficiency and innovation:** Organisations exist to produce goods and services that people value and the ability of the organisation to compete successfully with their innovations and prompt introduction to people and market. Organisational design plays vital role to innovation and efficiency .

In order to face the global competitiveness, competition from the countries with low labour cost is pressuring the companies to become more efficient in order to reduce cost and increase quality.

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Then, efficiency and innovations: organization exists to produce goods and services you know that people will value and what people will look for. You know it the ability of the organization to compete successfully with their innovations and prompt product introduction to people and market. So, unless otherwise now you know you do not be you know innovative you do not differentiate your product from the other products existing.

Then it is very difficult for you to create the value what my customers are looking for, what my clients are looking for. You know so, organizational design should provide

more scope to you know be innovative. Now, bringing more efficiency you know increase your efficiency. So, that there is an organizational growth there is a continued growth right.

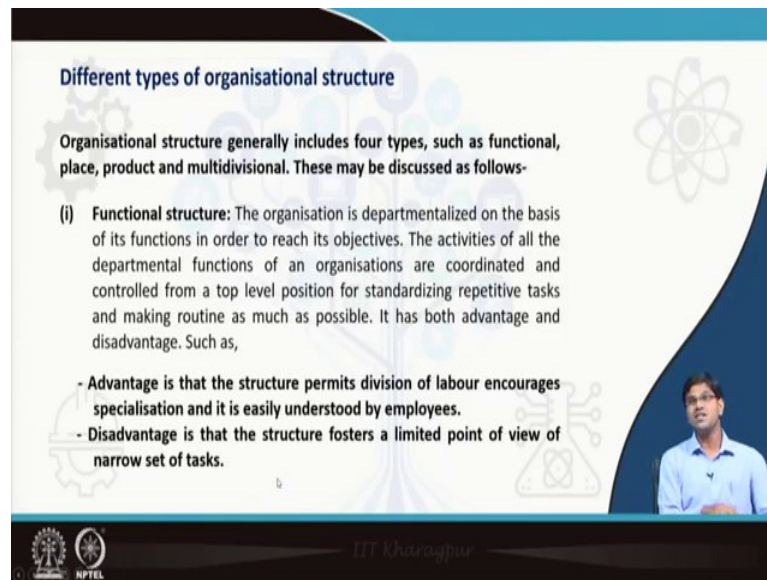
So, for example, take a situation in a global competitiveness you know competition come from countries with known low labour cost right. For example, you talk about you know our neighboring countries like Bangladesh or Sri Lanka and you know India was one of the preferred countries for garment productions right.

But. Now if you look at you know Bangladesh and Sri Lanka being a most preferred place or even a Vietnam and Indonesia; they provide a lot of cheap labour. Now how do you manage with the cheap labour? Previously China was used to be the uh you know attractive place, but now India has gained competitive advantage over the pricing.

But, now look at the other countries like you know Vietnam, Bangladesh, Sri Lanka and Indonesia gains advantage of being a cheap labour cost, but how do you overcome it you need to bring in a lot of technology or reduce the cost and increase the efficiency right. And then produce a better-quality product also. That is where the you know technological innovations are coming up introduction of a lot of the I know automation has come up.

Why this automation? Because, when the moment you are you know reducing the now you know you people use it then you are able to increase more profit right. So, you need to compete with that you know innovation or a technological thing you know organizational design should provide you scope for you to bring in that you know changes and advancement.

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Different types of organisational structure

Organisational structure generally includes four types, such as functional, place, product and multidivisional. These may be discussed as follows-

(i) **Functional structure:** The organisation is departmentalized on the basis of its functions in order to reach its objectives. The activities of all the departmental functions of an organisations are coordinated and controlled from a top level position for standardizing repetitive tasks and making routine as much as possible. It has both advantage and disadvantage. Such as,

- Advantage is that the structure permits division of labour encourages specialisation and it is easily understood by employees.
- Disadvantage is that the structure fosters a limited point of view of narrow set of tasks.

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Now, let us try to understand different structures of the organisation. Because now, we the moment we talk about organisational structure every company will have a different you know structures right. Know, as you know you some of you might be working in companies, you will always see some structure existing in your company. Now, after this you know lectures you may have to just go back to your company and try to understand the existing organisational structure.

Every company will have a certain organogram. Organogram is a just a diagram like a description of how the people are the power being distributed, you will be able to appreciate and understand the application of the concepts learned here ok. So, in in general way there are you know organisational structure are classified into four types; one is functional structure, place structure, product structure and multi divisional structure.

And there is also we will also see hybrid structure matrix structure also I will explain you with a diagram. Now let us try to understand the functional structure. You know in the previous lecture organisations; we talked about you know we always know identify set of works and then we divide the works for the efficient management of the company right. So, similarly the functional structure talking about you know organisation is departmentalized are means you know made into different groups on the basis of these functions.

So, you know the why we are making in order to achieve our organization objective in a better efficient managed you know and then it is also easy to manage the company right. So, now, how are we are talking about the functional areas? So, let us say you know a set of active discipline classified with respect to different functions. You know, let us say talk about you know hr department as a function human resources functions and finance is a different function area, operations as a functional area, marketing as a functional area, ITN system as a functional area.

Now, you create know different department functions and organizational coordinator and control from top level positions for standardizing the repetitive task and making routines as much as possible. So, when you are talking about you know dividing creating an organisational structure based on the functional areas. It also has advantages and disadvantages; you know every structure will definitely will have some you know pros and some cons as well.

So, the advantages are that know structure permits division of labour and encourages specialisation meaning that you know if you are talking about the functional area. So, it creates a specialist; you know people who have a better skill are on the you know financial areas they will get into the you know finance department. There is a you know high degree of specialisation and it is easily understood by the employees.

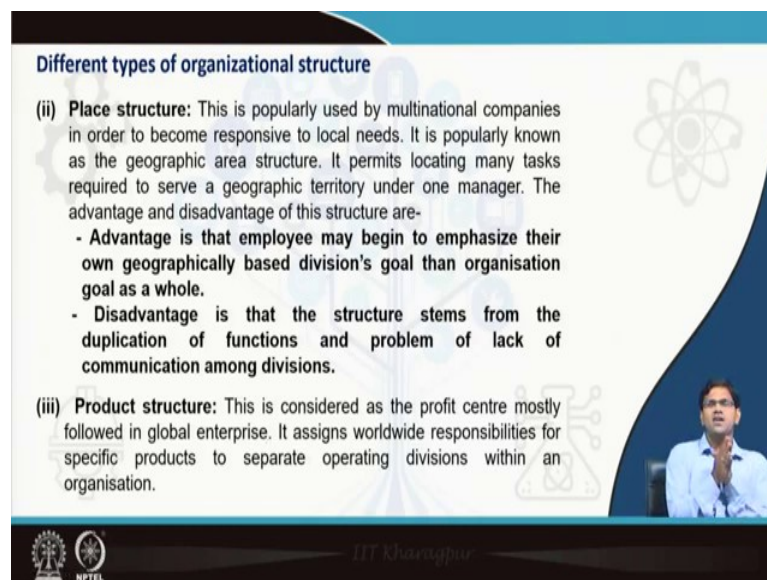
So, you know people will come from the you know better skills on this particular domain will work on this area and then they will be able to handle any specific issues with respect to the particular divisions. Let us say people working on a shop floor the operations department and you know there is a high specialisation of people who have really skilled enough to manage the production plant, they will be given on the operations right

So, it is easily able to understand employees able to understand and there is a high degree of specializations given isn't it. Disadvantages is that you know structures process a limited point of view of narrow set of tasks. So, because you know since it is all functional area uh you are only restricted to the similar set of activities; meaning that know you do not expand yourself stretch yourself to understand the impact on the other functional areas.

Sometimes what will happen know you only think about your own functional area, your own functional areas limitations and challenges. You do not try to since, but you are existing in the same company ok. So, the limitation challenge of the other functional areas has to also to be integrated when you are making some changes, you cannot be in independently work. So, that are the disorder diseases in the functional areas.

Because of you know functional domains they limit their boundaries only to their functional area. And they do not integrate or interact with the other functional area in a company it is very important though you are divided into functional areas; you need to interact and integrate certain things. So, that you know you are collectively working. So, these are the disadvantages in the functional structure.

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Different types of organizational structure

(ii) **Place structure:** This is popularly used by multinational companies in order to become responsive to local needs. It is popularly known as the geographic area structure. It permits locating many tasks required to serve a geographic territory under one manager. The advantage and disadvantage of this structure are-

- Advantage is that employee may begin to emphasize their own geographically based division's goal than organisation goal as a whole.
- Disadvantage is that the structure stems from the duplication of functions and problem of lack of communication among divisions.

(iii) **Product structure:** This is considered as the profit centre mostly followed in global enterprise. It assigns worldwide responsibilities for specific products to separate operating divisions within an organisation.

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Let us try to understand the place structure this is very popularly used by the multinational companies because multinational companies they will have their presence in different countries right. In order to you know become very responsive to the local needs, they always go for you know creating a place you know geographical area structure. Based on the geographical area they create the organizational structure. It permits locating many tasks required to serve a specific territory under one manager.

So, it is very simple they form specific organization structure to each you know geographic locations or let us you know each country specific they create an organization structure you know because you know every geographic location will have some changes

territorial you know limitations and the advantages also. So, the you know company which operates in a multiple country they go for a place wise structure. You know where they create a specific structure only to the particular country.

So, it their advantage is that know employee may begin to emphasize their own geographically based divisions goal then organization as a whole. So, what will happen you know; they will only specifically able to you know concentrate on the geographic locations goal rather than the larger organization goals. A disadvantage is that know structure stems from the duplication of functions and problem of lack of communication you know among divisions. Since you know it is only for a specific geography you know people only you know ship themselves to the geographic locations.

Rather you know their own you know interact with the other divisions or the different locations that the communication is lacking. You know that should be a consistency also required when you are part of a company as an overall goal achievement you need to coordinate right. That is a disadvantage.

Now, product structure: So, now, we know we talked about a functional area right based on the better functioning we made a division on the functional area now, it is the product structure. Based on a specific product they designed it for example; let us say you know Unilever as an example. Unilever has multiple products. So, I am just giving an example it is not the Unilever is following this particular organizational structure right just for a better example I am giving you.

Let us say what not talk about not talk about the Unilever, let us say talk about a company X. They have, let us say talk about they have you know let us say specifically they make shampoos and soap then they also produce you know other products like and they also make you know refine oils right ok. Now, there are two different products. What will happen now? They create a structure based on the product base.

So, based on this particular product they created let us say you know this company also I have insurance policies let us say there is a completely different product. So, they create a structure for every product. So, that is a product-based structure right you know it assigns worldwide responsibilities for a specific product. Let us say you know scope means you need to manage the soap business across countries you know

So, it actually you know separate operating divisions within the organizations. Within the organization product divisions will separately you know functioning within the product you will have you know with hr department you will have operations you will have you know finance and you will have marketing all that will have is with respect to only the particular product.

Let us say you know soap as a product or you know that particular division you know the particular product division will have all these functional areas within the same for only for the particular product. Let us say you know they are also having insurance you know policies they will have a all functional areas for the specific structure the specific product they talk about.

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Different types of organisational structure

This structure has number of advantage and disadvantage which may be-

- The advantage of this structure is that it allows each major products line to focus on the specific need of the its customer, in case the company produces large number of diverse products.
- The disadvantage of this structure is that addition of new product lines, diverse customers and technological advances some times increases the complexity and uncertainty of the functional environment.

(iv) **Multidivisional structure:** This structure helps tasks to be organised by divisions on the basis of products or geographic market where the products or services are sold. The divisional heads primarily look after day by day operations and deciding on strategy issues and communicating with stakeholders and others.

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So, the advantages of this structure are that know it allows each major product line to focus on the specific needs of it is customers because you know people who buy the product or different customers. You know for example, contrary to the you know insurance you know policies and then the soap you know my customers who buy soap are completely different from a kind of you know customer I am going to deal with the you know insurance policies.

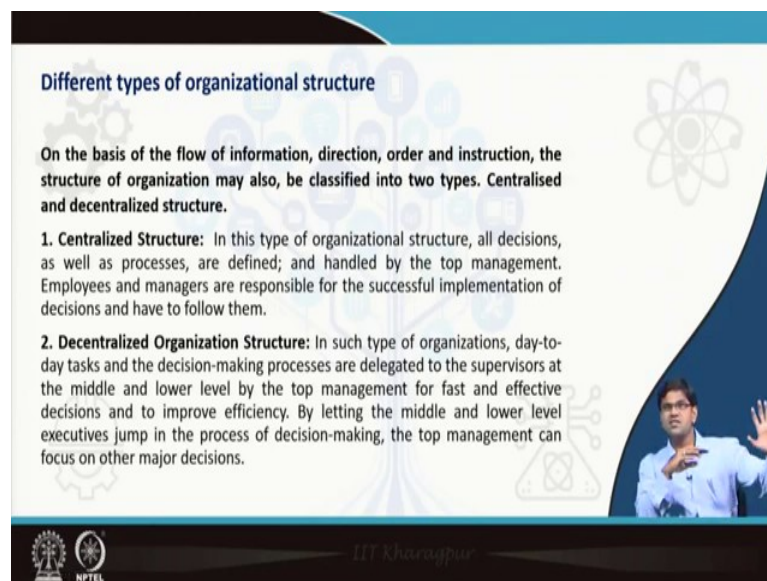
So, the advantage is that know it is very specific and you know they are able to able to serve their customers better, they can make their decisions based on the particular product not on the generic way. The disadvantage of this structure is that know addition

of a new product lines are diverse customers technological advance sometimes increases the complexity and uncertainty of the functional environment.

For example, you know you want to diversify your business or knowing diverse the customers our new product lines are adding up that time the expansion is bit difficult. Now multi divisional structure: multi divisional structure is this structure helps task to be organized by divisions on the basis of the products or the geographic market where the product or services are sold.

So, you know what will happen you know based on they create divisions on the base of the product or a geographical market. We talked about you know it is kind of a combination of the both the play structure and the you know product base where they create a multi divisional structures ok. So, it is also otherwise also called as a hybrid structure, we will see by the diagram also ok.

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Different types of organizational structure

On the basis of the flow of information, direction, order and instruction, the structure of organization may also, be classified into two types. Centralised and decentralized structure.

- 1. Centralized Structure:** In this type of organizational structure, all decisions, as well as processes, are defined; and handled by the top management. Employees and managers are responsible for the successful implementation of decisions and have to follow them.
- 2. Decentralized Organization Structure:** In such type of organizations, day-to-day tasks and the decision-making processes are delegated to the supervisors at the middle and lower level by the top management for fast and effective decisions and to improve efficiency. By letting the middle and lower level executives jump in the process of decision-making, the top management can focus on other major decisions.

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These are all structure based on the you know product or the functional area and the place or the multi divisional with the with the based on the power distributions organization structure is classified into two way ok. uh One is centralized and decentralized.

You know that the this actually you know on the base of the flow of information direction and order and instructions is classified into two categories. One is centralized organization and then decentralized organization.

So, centralized organization. What is the centralized organizations? In the centralized organizational structure, all decisions as well as the process are defined and handled by the top management, it's very clear and period.

So, every decision on the process everything is defined and decisions made only by the top management and employees and managers are responsibility implemented simple. You do not need to make any decisions; you do not have any authority to make any decisions. We will decide and tell you to do things and you are only a task forced implement it is; that's the you know centralized sector ok.

So, only information is provided to you and you need to follow the rules provided to you and implemented and execute it. You know, you are the execution part of it there is no you know participation in decision making you know process building and all that it is simple you need to execute it.

Then, decentralized organization structure: In such type of organizations day to day tasks or decision-making process are dedicated to the supervisors at the middle level or the lower level by the top management for fast and effective decision making to improve efficiency.

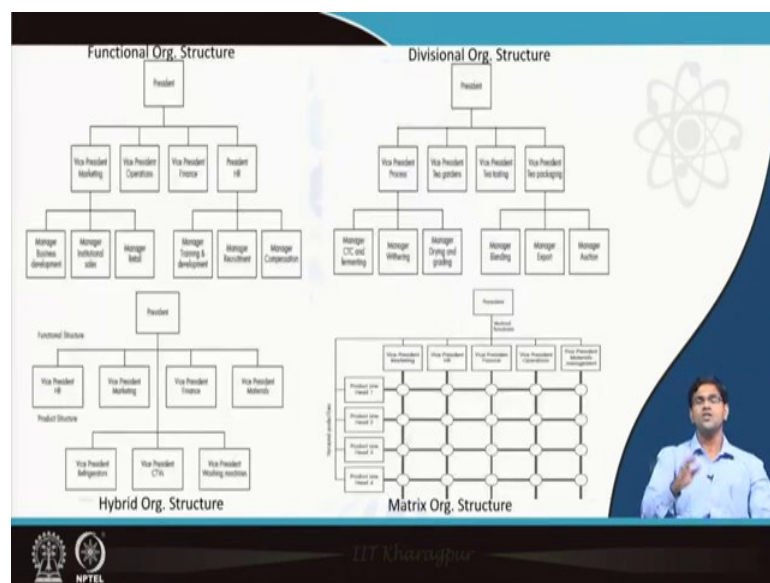
See where we you know decentralization; we are talking about know the decision making about their day to day active desire effects managing their effects are provided at the levels you know maybe the middle level or even with a lower level for a you know quicker decision making where it is you know mostly followed. Let us say you know there is always you know likely challenges coming up in the field level. Then in that kind of an organizations you need to provide a lot of freedom at the you know lower levels.

So, that know your organization is efficient. You know you need to be very quickly able to respond to the particular needs rather than you know you just send the requirement to the top management then the top management will decide and then that information will flow through to reach you, then by the time you take this whole time of you know going

from bottom to top to get the decision and you know roll down to the bottom by the time you know your competitor would have taken the advantages.

So, that type of situation where that is where organization structure is also giving decentralization. You know power is decentralized or roll down to the lower levels where they can make the decision, they can decide, but with the boundaries are defined. What kind of a decision they can take and you know they are also given accountability and then responsibility give a do it you know provided at the bottom level.

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Now, so, let us understand the organization structure now yeah. So, I talked about the functional organization structure. See if you see the functional area you see you know this is you know chronogram you will always you know if you are working in a company please go back to the company and then see and you know otherwise if you are you know student you will you can able to see here people who are working will be able to relate. See the functional area is you know you have a president here and then you have a vice president of marketing.

So, they are dividing based on the different functional areas. Then you have an operation, then you have a finance area, then you have an HR right. So, what will happen? You have based on the different functional areas you because as I said in the first activity as an organization you decided set of activities you are grouped. You group the set of activities as marketing related activities for example, advertising, new product

development, you know customer services customer satisfaction, all that become a marketing division.

Then operations; you know designing the product and you know producing the product, you know purchasing and all that goes into the operations supply chain also operations. Then the finance who will talk about the budgeting allocating the financial resources then HR they will team you know talk about you know hiring, managing people, you know deciding on the number of people requiring and all that functions made into the group.

So, these are all they divided in the functional areas. So, you see that know there is other subdivisions manager of business development. Now, institutional sales are manager retail. Similarly, if you look at you know HR department the other level comes with you know manager training and development you have manager recruitment means hiring people and manager compensation who will decide the salary to be provided. So, these are the you know organization structure based on the functional area.

So, we divided each function area. Now, let us look at the divisional organizational structure. You know divisional is you know where we are talking about you know a product based or subdivisions ok. You have a president here and your vice president for a process; it is a division you made ok. It is not about you know functional area, but it is only about you know different divisions.

Let's say you know tea gardens and tea tasting and tea packaging these are all different set of activities, but what do you have made you made a division. You classify it into different divisions and you try to manage it that way, but you know if you look at you know within this particular you know tea gardens you will have you know people managing, all these functions we talked about marketing operations finance all this will be coming around.

Now, let us try to understand the hybrid organization. So, that's why know multi division where you will have both functional as well as the product-oriented divisions. Say for example, if you see functional area division, see that is a hybrid organization. Why I say hybrid? You have both you know functional let's say HR, marketing, finance and materials it means operations this is a function-based structure right.

If you look at product structure; product based. You know it is also studied with the product base. Now, you see you have base with respect to refrigerator you have that is an independent product.

Then if you see vice president CTVs you know in the televisions you have the separate product and then you have washing machines that is a separate product. So, you also have a product structure product-based structure and you also have a functionality. This is a hybrid structure your combination of both the structure where you have you know functional as well as the you know product based.

Now, there is a matrix structure; if you now if you look at many organizations started to follow this you know matrix structure. The challenge of this matrix structure is you know the you know chain command or the connections between multiple groups is more or sometimes even the reporting is also reporting requirement is also really high.

So, let us look at the matrix structure. How matrix structure functions. You have functional area here if you look at on the you know this vertical; we are talking about you have functional area marketing, you know HR, finance, operations and materials management is operations we talk about. And now, you have a product line. So, product line 1, 2, 3 see all this product cut across this and it is a matrix.

So, marketing this divisions also both vertical and horizontally they will intersect and then there is a coordination. Now, instead of creating a separate one if there is a product based and there is a matrix structure. So, one has to report to whom there are multiple relationship people have to coordinate and but many organizations use this because you know why the accessibility of the information is spread across and then you know there is a quick sharing of information is here.

So, there is a many organization follow this matrix structure ok. So, we have seen the you know different types of structure and we also looked about the you know all the structures now by the diagram wise.

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Components of organisational design and structure

1. Chain of command: The authority and power are delegated from top to bottom i.e. in an organization top management gives instructions to the bottom team and all the employees at each level. Further, the accountability of an employee's job flows upward to the management. It gives clarity of the reporting structure in an organization.

2. Span of control : It demonstrates how wide is the area of the direct control of supervisors over their subordinates which is directly related to how many subordinates (in numbers) report to a senior or supervisor; which, in turn, depends on the number of tasks performed at different levels. In case of more tasks, the span of control will be wider.

The slide includes a diagram on the right side showing a vertical line with two horizontal arrows pointing to the right. The top arrow is labeled '5' and the bottom arrow is labeled '10'. The word 'Manages' is written in red above the top arrow. The diagram illustrates the span of control for a manager, showing that a manager can manage 5 subordinates at one level and 10 subordinates at another level.

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Let us look at the components of organization design and structure. First is chain of command; see authority and power are delegated from top to bottom right.

So, you just see a diagram right. The president till the manager means the authority and power has to start from the top and it has to you know come down to the bottom. So, in an organization top management gives the instruction to the bottom team all employees at each level. So, and the accountability of employee's job flow upward to the management know.

So, here in the accountability is like you know from lower level employee it has to go to the management. So, this structure the chain of command actually gives you a lot of clarity. You know who gives the instruction and who has to obey and follow the instruction and span of control. Even the last lecture we discussed about the span of control.

Span of control it demonstrates how wide is the area of direct control of supervisors over their subordinates which is directly reported to how many subordinates in terms of numbers and report to your senior supervisor. It is also talking about you know manager how many subordinates each manager can manage or how many subordinates each manager can actually handle. So, this is only talking about a span of control.

You know it is talk about now, how let us say you know this is the span of control it is you know one manager able to control this. Now, the span of control now against this if you are able to see these two and a manager is able to control 1 to 5 and here 1 to 10, then you know span of control need to decide how many numbers of subordinate each manager will be able to control.

Is it you know you know 5 members in a team or is it 10 members in a team based on the you know ability or the you know the kind of relationship the manager has to hold with the particular you know subordinates then the span of control has to be decided ok?

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Components of organizational design and structure

3. Centralization: Centralization refers to centralizing an organizational system where planning and decision-making authority is allotted either to a single person or the top management. A decentralized organization is the one where planning and decision-making are handed over to middle or low-levels.

4. Specialization: Large organizations divide some of its functions based on the specialized areas and, so, subtasks are defined in different tasks. These subtasks are distributed among individual job roles.

5. Formalization : Formalization refers to the goals and vision of an organization, tasks, hierarchy and relationships, authority and responsibilities, different processes, and work methods.

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Now, centralization; so, centralization we just talked about you know dividing the structures we said you know decentralization centralization. Centralization is referring to the you know organization system where the planning and decision-making authorities allotted either to a single person or the top management where centralization only says that know the decision will be taken by the top management and you know others are becoming the you know implementation execution.

Whereas the decentralization it is actually in a contrast to this generation where the power center has been distributed. The decision-making authorities distributed to people at the middle level or even at the lower level ok. Specializations; a large organization divides some of it is functions based on the specialized area. So, we as we said know the

functional areas, we create based on the specializations you actually you know create these specializations. You know it is always better that you create specialization.

So, that know they are having an adequate sufficient knowledge to handle this particular domain or the division. Formalization refers to the goals and vision of an organization task hierarchy and relationship authority and responsibility different processes and work methods. You know formalization and organization are actually provide clear information about all these hierarchy and you know. So, that know the formalized structure has been established.

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Components of organisational design and structure

6. Departmentalization: It is the process of dividing organizational functions into different departments as per specializations of jobs or responsibilities so that the common tasks can be handled by specialized teams.

These are most important components of organisational design and structure.

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Then departmentalization: so, departmentalization is again another process where you are actually dividing the organizational functions or the works and you know making into different departments; that is called departmentalization. Now, we create multiple departments right. So, the process of creating the departments by you know dividing the works and grouping the work and then framing the department. So, that is called departmentalization based on the specialization of the job we do.

For example, in a college in an education institution we see you know multiple departments right. So, every department having a specialized discipline for example, you have in electrical and electronics engineering, you have mechanical engineering, you have civil engineering, let us say talk about commerce you say humanities, you have you

know economics, there is a you know specialized different departments you categorize right.

So, based on the specialization or the focus area we create the departments. So, similarly in a workplace also there are there you know subdividing the work and then grouping that work we form multiple departments. So, these are the you know important components of the organizational design and structure.

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Factors influencing for organizational design

- 1. Strategy:** Strategy determines a course of action to direct the organisational activities. It makes plans to co-ordinate human and physical resources to work towards a common objective. It defines a course of action through which organisation can align its activities with the environment, in order to achieve its goals.
- 2. Technology:** The technology for manufacturing also affects the organisation structure. This technology is used for producing same products at a mass scale, for e.g., manufacturing automobiles. The products are stocked and assembled differently for different customers with the help of technology.
- 3. People:** People are important organisational asset or resource and greatly affect the design of organisation structure. Both superiors and subordinates, their behaviour patterns, ways of thinking, needs and motivators desired to satisfy those needs affect the organisation structure.

The slide features a hand-drawn red organizational chart on the right side, showing a hierarchy with multiple levels and branches. In the bottom right corner, there is a small video inset showing a man in a white shirt speaking. The slide also includes logos for IIT Khargapur and NPTEL at the bottom.

Now, let us try to understand what are the factors which are influencing the organizational design and structure. First is organizational strategy. Strategy decides the course of actions to direct the organizational activities.

So, definitely the strategy will have a you know huge impact on the kind of a design organization design I go for or you know kind of an organization structure I go for. Now, we are in a world where we are talking about a flat structure and a tall structure. Tall structure is nothing, but you know we you have you know more you know you have more levels you know tall structure will say you know you have multiple levels.

Now, you these are the tall structures ok. Now, we have a flat structure we are talking about instead of this you know organization will go for this level where you only have you know one people reporting to here maybe you know you have multiple. So, this is a

kind of flat structure you know you have a smaller number of you know levels here. So, that know the these are a bit easier to ok.

Then technology: So, technology will also have you know a lot of impact you know technology where manufacturing also affects the organization structure right. This technology used for producing the same product you know we use it for multiple technology will definitely have a lot of impact on the kind of a structure we go for.

Then people ok. So, people are important assets of the organization. So, you know that they will you know greatly affect the kind of an organization structure you go for.

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Factors influencing for organizational design

- 4. Tasks:** Tasks are the activities performed by people which transform organizational plans into reality. Managers analyze these task characteristics so that right task can be assigned to the right person. This promotes superior-subordinate relationships and, thus, organizational productivity.
- 5. Decisions:** The information flow in the organization for decision-making affect the organization structure. Centralized decision-making powers give rise to mechanistic structures and decentralized decision-making processes give rise to organic or behavioral structures.
- 6. Size:** Study conducted on firms of different sizes found that as firms increase in size, the need for job specialization, standardization and decentralization also increases and organizations are structured accordingly.

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Now, task: Tasks are the activities performed by the people which transform the organization plans into reality right. So, the managers analyze these task characteristics. So, that the right task can be assigned to right person, this promotes the superior subordinate relationship and that you know actually influence the you know organizational productivity. So, task based on the task also you know tasks will also influence the kind of structure kind of an organization design I can go for.

Then decisions; see information flow in an organization for decision making affect the organizational structure right. See, how the information has to flow through and how many levels has to be there in the you know giving the information or if you want to

reduce the you know information flow based on that you know their organizational design will vary.

You know centralized decision-making power gives rise to mechanistic structure where because you know they already decide and then they have it has to only flow through and then what will happen in this you know centralized divisions when the information flows through with the you know tall structure and then flash structure. In a tall structure let us say you know centralized organization as an example I know you know decision made at the top it has to come down to the bottom.

And you know there may be a loss of information, when the communication has been done the decision made at the top and it has to come down to the lower level there is a likely chance that no information might get lost right. Whereas, in the flash structure there is a very a smaller number of levels and the information provided can be easily transformed. There is a less loss of information or at least there is no loss of information can happen. So, it is actually influencing the kind of structure you can go for.

Then size; based on the size of the organization absolutely true because you know if you are a small level of organization you do not need actually a structure. Let us say you know you are talk about the startups. Start up with the 10 employees 10 employees you yes of course, you know as an organizer you need some structure to who has to report to whom.

But you know most of the time it is very flexible you know only 5 people are working you do not need to send you know talk to manager and to your CEO it is easy that you can directly talk to the CEO. So, there is no you know structural definite levels of structure is required whereas, in the larger organizations you know you need to manage huge number of people

Then it is very important that you create a structure and you need to see who has the power, who has to follow whom and what level of authority is provided and it is very important. You know based on the size it will also vary. So, we talked about the size now and after the size we also see environment.

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Factors influencing for organisational design

7. Environment: Organisation structure cannot ignore the effects of environment. Organisations must adapt to the environment, respond to environmental opportunities and satisfy various external parties such as customers, suppliers, labour unions etc.

8. Managerial perceptions: Organisations where top managers perceive their subordinates as active, dynamic and talented entrepreneurs prefer organic form of structure. If they hold negative opinion about their subordinates, they prefer mechanistic organisation structure.

9. Informal organization: Informal organisations are an outgrowth of formal organisations. Social and cultural values, religious beliefs and personal likes and dislikes of members form informal groups which cannot be overlooked by management.

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So, every organization operates in a multiple environment and then it is likely to be get impacted by the you know external environment, you know organization structure cannot ignore the effect of the environment. Because organization has to adapt based on the you know things changes in the environment you know maybe from suppliers or customers or labour unions you know organization has to be very flexible enough to you know take input from the environment.

And then managerial perceptions organizations where the top managers perceive their subordinate as an active, dynamic and talented entrepreneurs prefer organic form of structures means; you know who believes their employees or subordinates you know organic instruction. And they do not want to follow a specific defined structure rather they keep it you know simple they allow it to be organic and then you know everybody can interact with each other. So, that kind of a structure will exist.

Then informal organizations; so informal organizations are an outgrowth of our formal organizations right. You know it is based on the social and cultural values and religious beliefs, you know personal likes and dislikes of the member from informal groups which cannot be overlooked by the management. You know informal organizations you know also you know impact the kind of decisions you make ok.

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Advantages of organisational design

The advantages of organisational design are as follows:

Clarity: A solid organizational design provides clarity in reporting relationships, decision-making, information flows and work processes. With a well-crafted design, everyone knows exactly what they are responsible for doing, who they report to and what other co-workers are responsible for doing.

Growth: A well-designed company can find itself better prepared to take advantage of growth opportunities than more loosely-designed companies.

Adaptability: Organizational design strategies respond to predominant marketplace conditions and industry trends. The problem with this focus is that conditions and trends change frequently or constantly in most industries.

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Now, let us talk about some of the advantages of organizational design. One is clarity: a solid organizational design provides clarity in reporting relationships, decision-making, information flows, and work processes. With a well-crafted design, everyone knows exactly what they are responsible for doing, who they report to, and what other co-workers are responsible for doing. It will actually improve the clarity in the kind of relationship structure or the reporting structure or the decision-making authority provided.

So, it will provide more clarity to all sections of the employees. Then growth: a well-designed company can find itself better prepared to take advantage of growth opportunities than more loosely-designed companies where their structure is not well defined.

Then adaptability; so, organizational design strategies respond to predominant marketplace conditions and industry trends. You know if the organizational design you know they are always a little flexible all try to infer information from the business environment, they try to be adaptive they quickly change. So, that way they take a lot of advantages and then create a competitive advantage for their business ok.

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Advantages of organizational design

Opportunities : Solid organizational designs can be advantageous or counter-productive when it comes to encouraging employees to strive for advancement opportunities. A well-structured and growing company with a formal advancement track can motivate employees to excel and no need to approach top level management.

Operate in multiple locations: As small businesses continue to grow and expand, they may open multiple locations in local, regional or domestic economic markets. Organizational structures help business owners create a management chain to ensure all business locations operate according to the company's standard procedures.

Focus on Customer Service and Sales: Companies using a well-defined organizational structure should be able to spend more time focusing on customer service rather than correcting operational issues. Improved customer service can help companies answer consumer inquiries or questions regarding goods or services.

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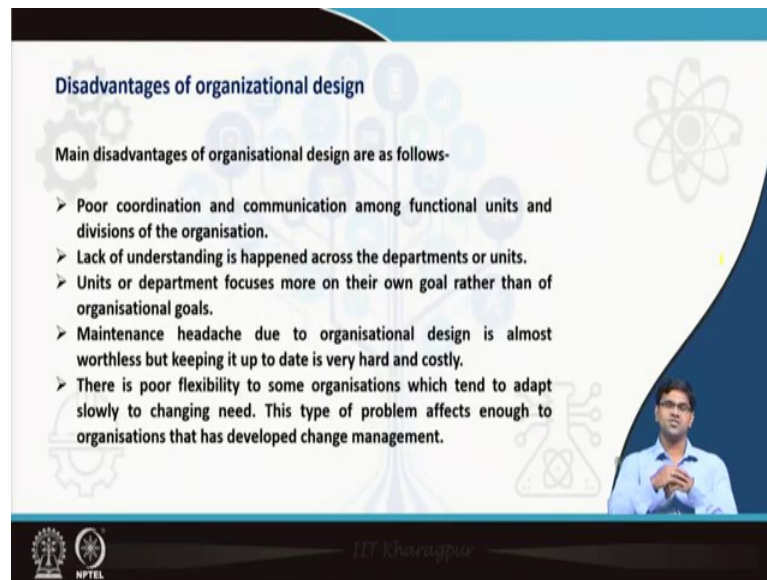
Then opportunities: Solid organizational design can be advantageous and counterproductive when it comes to encouraging employees to strive for advancement opportunities.

Then, multiple operate in multiple locations: when your organization structure is very well defined and then clearly provided you can you would can take an advantage and operate in multiple locations you know. Since you know when your business is growing and you want to expand your horizons into different geographic locations when you have a clear structure you have an advantage to set up your companies in a different place.

Because you are able to you know manage your activity through the defined structure. Then focus on customer service and sales: company using a well-defined organization structure should be able to spend more time focusing on customer service rather than correcting operation issues. See for example, when you have a clearly defined organization structure. So, you have a better rules and regulations and then you are already delegated certain responded to people to handle the operational challenges.

Then in that case what will happen? You know there is always a seamless performance. when you have a seamless performance there is more time you can spend with your you know customers or you can even talk about you know creating new product increasing, you know you improving your existing quality of service you provide. So, there is always an advantage to go with you know better structure.

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Disadvantages of organizational design

Main disadvantages of organisational design are as follows-

- Poor coordination and communication among functional units and divisions of the organisation.
- Lack of understanding is happened across the departments or units.
- Units or department focuses more on their own goal rather than of organisational goals.
- Maintenance headache due to organisational design is almost worthless but keeping it up to date is very hard and costly.
- There is poor flexibility to some organisations which tend to adapt slowly to changing need. This type of problem affects enough to organisations that has developed change management.

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Now, there are some disadvantages of an organizational design. You know some of the you know dishonesty being a poor coordination and communication among functional unit and divisions of the organization.

See when you create particular division and areas are the functional units if there is a poor communication because of the you know improper organization design or a structure you create there can be a potential opportunity where you have a poor communication or coordination between the functional unit between the divisions that is likely to be happen.

Then lack of understanding is happening across departments or units. So, when you create a structure maybe if there is a lack of understanding they you know started to operate independently then there is a challenge.

You know yeah sometimes what will happen a unit or department focuses more on their own goal rather than the organization goal then it is likely to happen. Because, you know let us say you know they only talk about their department let us you know in many organizations we see that now they become very too much attached to their particular departments or the group, they say you know we the operations people, we the marketing people, we the hr people.

The moment you know there is a more of the in group feeling and an out group feeling comes in then there is a challenge right. You know they will only think about their own prosperity than the organization prosperity. Then maintenance headache due to organization design is almost worthless, but keeping it to up to date is very hard and costly.

Sometimes you know becoming a lengthy process and hard and costly also. There is a poor flexibility to some organization which tend to adapt slowly to changing it. Sometimes you know some organizational structure you make it very rigid and you know you are not able to make changes very rapidly.

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So, these are the references. Today we discussed about organizational design and structure we also looked at the multiple organizational structure like you know we looked at the functional structure, we looked at the matrix structure, we looked at the divisional structure, place wise structure, product-based structure, we also looked at the hybrid structure. And we have seen how organizational structure actually contributes for the better functioning of the company and then organizations prosperity so.

Thank you.