Designing Work Organization
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Lecture-9
Dimension of Organization Structure-1

In earlier sessions, we have talked about what is the organizational structure. And then how to plan the organizational structure. Now, in this particular session, we will talk about the designing the organizational structures, either the horizontal coordination and linkages, organizational design alternatives,   the departmental grouping, functional structures, divisional structure, functional versus divisional structure and as usual we will discuss about the case study, research paper, book recommendations and references will be there. So, good buildings come from good people, and all problems are solved by good designs. are there. So, normally it totally depends on that is what type of the designing of the organization you are having.

Now, in the previous session I talked about that is how that horizontal structure that making the communication better as compared to the vertical organizational structures are there. So, whenever we talk about that is the there is a problem of communication, there is a the problem of organizational effectiveness which we have discussed earlier and then in that case, even if the organization is having the good people and the communication is not proper designing is not proper, then the outcome will not be productive. So, therefore, here on the basis of this particular statement and slogan we can understand that is the problems that can be solved by the good designing of the organization is there. So, how to design the organization? Organizational structure is used to develop how groups and individuals are arranged either they are into the type of the people or on the basis of the functions of the people.

So, therefore, in that case, it is a departmentalized to help meet an organization. So, whatever the group you are creating or the individuals are arranged, there should be design in on the basis of the departments are concerned. It defines a reporting structure, jobs, compensation, and responsibilities for each role is   there. So, building in organizational structure requires a consideration of an organization's values. right.

Now, every organization is having a vision statement, mission statement and values of the organizations are there. We know that is Tata group is there which is known for is ethical values and therefore, in that case, whatever the functioning process, practices,

and culture will be there that will be totally ethical and some organizations are giving more importance on ROI and the functional and the business goals are there. So, therefore, then, of course, every organization has to look for financial and business goals, but it depends on that is what your means are there, the values are there and accordingly, it should allow for the growth of the organization and the ability to add the additional jobs or the departments are there. Now, the designing in the structure it is very important first you understand what is your business is there. Now, there are many types of businesses.

So, businesses we talk about the manufacturing services, manufacturing organizations, service organizations are there. Nowadays, we are talking about the industry 4.0. So, that determines which type of organizational structure best fits your business needs are there. there.

So, first, you understand the organizational needs and then you plan to design your organization structure which will be the fitting for your business needs are there, then establish the performance metrics and the compensation is there. So, therefore, once you understand that is what type of business I am, I am into the manufacturing or service industries, what type of organization structure will be fits into the my business needs are there. If I am having the only the local businesses or I am having the global businesses or I am having the businesses in a particular zone. So, accordingly each performance matrix will be established and then the compensation will be decided by the organization is there. Then there is a relational coordination is there, highest level of the horizontal coordination.

Earlier also I have talked about is nowadays the flat structures, organizations the flat structures they are becoming very common. So, therefore, in that case, when we are talking about the horizontal coordination is there, then when you are having the different departments, each department is should have a better coordination among themselves. So, whenever you are having these type of coordination, you will find that is your interaction is frequent, their problems are time only solved and then the proper communication is there. So, every theory and every the practices that has these horizontal communication are giving the high productivity. This relationship of the shared goals that is a business goals, then the individual goals and the shared knowledge and the mutual respect is there amongst the different departments in the sections are there.

So, here all these employees, those who are working, they are having the common goals, they are having the respect for each other and they are having the shared knowledge also. So, it is a part of the culture of the organization. So, organization becomes a knowledge

sharing and you can easily understand when there is a coordination and there is a relationship based organization structure. So, then definitely the productivity is to be very high because there will be the better communication and the problem solving communication will be there. Now, this becomes a practice and when it becomes a practice, it converts into a culture is there.

So, it is a wave of the ongoing positive relationships are there. Every organization, if there is a proper relationship, environment, culture, climate, then definitely in that case, it will be giving you the that positive responses and there will be the free flow of communication is there. And whenever there is a free flow of communication, we will find that is it is becoming the more and more positive. Now, the employees coordinates directly with each other across the units are there. So, understanding is there, respect is there.

So, definitely there will be the more and more coordination will be required and the more and more coordination will be there. So, then less control will be required. So, when relational is high, people share information, they coordinate with each other, their activities are having the support for each other and to have the bosses or the formal mechanisms telling them to do so, so without having this type of these bossism culture, the organization will be functioning and this type of the structures, they are making the bosses less organization and therefore, nobody is boss rather than everybody is a colleague, coordinator and the supporter is there. So, this type of the relational information, this type of the culture, when in an organization develops with the help of the horizontal organization structure, then you will find that it becomes a very, very efficient organization. So, organizational effectiveness nowadays is more supported in most of the organizations basically.

Again, do not forget I have mentioned that is the first you have to study your SWOT analysis of organization that is what is the strengths, weaknesses, opportunities, and threats are there, which I have discussed in my earlier sessions on the basis of the analysis, you will decide that is whether you will go for the vertical structure or you will go for the horizontal structure, but these are the advantages of the horizontal structures are there. Now, these linkages, there is the cost of the coordination in time and human resource and then the amount of horizontal coordination is required. So, here you will find that the highest coordination relationship coordination is required for the high coordination and the time and utilization of the time and human resources are there. When there is low coordination and there is a cost of coordination in time and human resources is also low, then it we have to make the more use of the information systems are there. So, this information system, the leader, the manager, he has to play their liaison roles.

And therefore, that relationship will be developed only when you are having the good liaisoning is there, you are focusing on the task performance, you are having the full time invigorators and therefore, as a result of which you are creating the team. So, you are converting that group into a team, and that is a synergy or coordination through coordination you are developing that particular task force into a team force and as a result of which there will be relational coordination and you will find that is the cost of the coordination in time and human resource that will be very high whenever you are talking about the high coordination is required. Now, the overall design of the organization structure indicates three things basically, required the work activities. So, unless and until you are not clear that is what task or activities are required. So, departments are created to perform tasks and they have to consider the tasks as strategically important to the company.

So, therefore, in that case, every department is broken into the number of subsections, every subsection is broken into the activities and every activity is a group of tasks. So, every task which is to be performed by the employee in the organization that has to be considered strategically. So right from this low-level management to the top-level management you will find there is a smooth flow of communication because strategically it has become important. As organizations grow larger and more complex, so when we talk about the ALES, large enterprises. So, for the small, micro and medium enterprises there might be the less efforts are required for the coordination, but as your organization grow and it becomes the larger organization then definitely in that case, the task and activities they become more complex.

Managers find that is the more functional need to be performed and as a result of which you are dependent on the number of people, number of department, other departments, other sections are there. So, organizations typically define new positions. So, one coordinator will be appointed, one officer will be appointed, officer on special duty, OSD will be appointed. So, departments or divisions will be created, new departments will be created, new divisions will be created and the way to accomplish the new task design valuable by the organization is there. So, therefore, when I talk about this liaison role, so liaison role or interpersonal or informational role is there.

So, all these roles of a manager, they will create new positions. So, this will require to understand the departmental work activities. On the basis of the work activities, you will design your the organization structure. Now, the reporting relationship is there. So, reporting relationship often called the chain of command.

If you remember I have talked about the Fayol's principles of management and

therefore, it is the scalar chain of command is there, there will be the one boss and the subordinates will take the orders from the single boss only or there will be the represented by the vertical lines or there will be the hierarchy will be there and on organization chart. And the chain of command should be an unbroken line of authority and that leads the all persons in an organization and shows who reports to whom. So, therefore, in that case, in the case of the reporting system, whenever we are talking about the vertical organizations, they become more complex and therefore, in that case, you have to find out that is the who is reporting to whom and as a result of which that scalar chain of command will be there. This particular line of the command will be there and you will find that is the whenever you are talking about this particular scalar chain of command, you will be having the one person who is responsible and he is taking the decisions and as per his decisions, all functions or all activities are performed. So, as a result of which you are able to achieve the organizational goals.

So, that holds up the persons in an organization and shows who reports to whom and as I mentioned, that is the productivity, efficiency, organizational effectiveness, organizational goals. So, all there will be the positive responses will be there. Now, here we will talk about the organization alternatives are there. So, options for the grouping employees into the departments are there. Now, this can be the functions wise, like here it is shown and that is engineering department is there, marketing department is there, manufacturing department is there.

So, departmental grouping affects employees because they share a common supervisor and common resources and are jointly responsible for their performance and tend to be the identify and collaborate with the one another is there. So, here is example like the CEO is there. Now, the CEO is having the engineering, marketing and the manufacturing departments are there and then the CEO is having the product division, product division 2 and product division 3 and then the CEO will be there who is having the marketing and management is there. So, therefore, in that case, it is a functional grouping is there, CEO and the functional marketing and divisional grouping is there, group division 1, group division 2, group division 3 are there is the you will find that is the we are having the grouping of the employees and the multi forced is there and therefore, that marketing, manufacturing, product 1, product 2 and like this is there. So, multi product based is there or there may be the horizontal grouping is there and therefore, you are having the relationship between the different departments with the horizontally is there and then the groups are formed, the group activities or group tasks are formed.

So, departmental grouping options always focusing on the functional grouping. Additionally, we find it is a finance department, marketing department, operation department, HR department, IT department. So, quality control department and like this

is there. So, therefore, it is a functional grouping is there. So, which place together employees whose performs similar functions or work processes or who is being the similar knowledge and skills to be here.

The divisional grouping means the people are organized according to what the organization produces. Now, especially in the case of you will find that is about the IT industries and the IT industries normally the groups are formed on the basis of the projects are there. So, many people are organized according to what the organization produces or what the organizations the team building is there or what they are having that particular project team and on the basis of that there will be the divisional grouping will be there. Or it can be the multi-focus grouping means that an organization that embraces two or more structural grouping alternatives, simultaneously this structure forms the often called matrix or the hybrid is there. So, therefore, in that case, you will find there are certain groups that are making these matrix or hybrid structures are there.

The options for departmental grouping include horizontal grouping and virtual network grouping is there. Horizontal grouping means the employees are organized around the core work processes, the end-to-end work information and the material flows and they provide value directly to the customers are there. Virtual network grouping is the most recent approach to departmental grouping with this grouping the organization is a loosely connected cluster of separate components are there. Therefore, in the virtual network grouping it has become the grouping is there, but the organization is loosely connected is there. So, therefore, in that case, you will find that this type of structure will be preferred for the virtual network grouping is there.

So, in the case of divisional grouping, multi-focus grouping, horizontal and virtual network grouping is there. The structure also called a U-form unitary structure is there. Activities are grouped by common functions and all specific skills and knowledge are consolidated at the one place, centralized providing available depth of the knowledge for the organization. The promotion, therefore, in that case, is there for the economies of scale and these and the slow responses to environmental changes are there. These are prevalent approaches, but few companies can respond in today's environment without horizontal linkages while some organizations perform very effectively with a functional structure is there.

So, therefore, you have to see that is you have this particular structure which will be making you more and more convenient while some organizations perform very efficiently with the functional structure is there. Functional structure is every structure you see is having certain strengths and weaknesses. Let us see the strengths and weaknesses of the functional structure. So, functional structure strengths are the allow

economies of the scale within the functional departments, enables in depth knowledge and skill development, enables organization to accomplish functional goals and it is best with only one or a few products are there. So therefore, it is the allowing the economies which will be making them the clear that is what is the best way where we can develop these particular products.

Weaknesses are the slow response time to environmental changes, may cause the decisions to pile on top and the hierarchy overload and leads to poor horizontal coordination among the departments and result in less innovation is there and a restricted view of the organizational goals. So, therefore, in that case on one side we have these strengths which are making that is the more and more depth knowledge and the experts. So, therefore, the person because he has been assigned a task or activity of his particular function for the number of years. So, therefore, he developed the expertise in that and enables organizations to achieve the functional goals are there. It is only one or a few products are there then definitely in that case it will working is there because when we see the weaknesses.

So, therefore, in that case they may be having these slow responses to the environmental change because they are fixed, they are used to perform in a typical manner and therefore, it will become very difficult to make the environmental changes. It leads to the poor horizontal coordination among the departments and the it involves the very very restricted view of organizational goal is there because they are highly concerned with the production and productivity, but not concerned with the overall organizational goal. So, here is a functional organization structure president, then the R&D manager, R&D manager is having the design, development and testing, finance managers, accounting, purchasing and finance, marketing manager. Nowadays this is also called as a commercial manager and in the commercial manager this purchasing and all functions are involved. Marketing managers are which are the sales and the customer service, division products are there, line supervisor, production team and the distributions are there.

So, these are the examples are there. Now in the case of these structures, then we will find out that is the you can also go for the divisional structure. So, also called an M form, earlier the functional structure was called the U form. Now this is called the M form because it is multi divisional and it is a centralized form is there. Product structure or strategic business unit structures are there and divisions organized according to product service and product groups. Good for achieving the coordination across the functional departments are there.

So therefore, in that case because these are divisional structures, so they will have the

better coordination and when they will have the better coordination, so across the functional departments they will be performed much better. Grouping is based on the organizational outputs and therefore, the giant complex organization such as General Electric, GE, Sony are subdivided into a series of smaller self-contained organizational or the better control is there, which will be making you suited for the first change and the loses the economies of the scales. So therefore, in that case it lacks the technical specialization. So here the divisional structures, they are more focused on the coordination and working on the grouping based while in the case of the functional law structure, it was giving you the more technical specialization is there. This is the sample chart of divisional structure, their president is there, product A, B, C, D, administration, these are the different divisions are there.

In each division like for example, product A division, research, manufacturing, accounting, finance and marketing customer is there. While in case of the product B, you will find research, development, manufacturing, accounting, marketing and customer that is for the product B is there. Accordingly, there will be for the C and product D will be there and administration will be common which will be having the HR, procurement, according to finance, PR, communications are there, training, safety are there and then legal aspects are there. Divisional structure also have a certain strengths and weaknesses. The strength is it is suited to a fast to the usable environment is there.

So therefore, in that case whenever there is an unstable environment, you can make the use of your structure very easily. Leads to the customer satisfaction because the product responsibility and the contact points are very clear. They involves a high coordination across the functions allows you need to adapt to differences in products, reasons and customers are there. Research in large organization with the several products and therefore, in that case you will find that is the this type of the divisional structures are the best suited for the large organizations are there. Where the small organizations are there, there you can make because that is not the multifunctional and therefore, that will be the unifunctional or unilateral functions.

The decentralization decision making is there that is a strength in the case of the divisional structures. While the weaknesses are eliminates the economies of scale in functional departments, leads to the poor coordination across the product lines and as a result of which the output is not there. So, even the divisional structure is there, but lack of the coordination is there. So therefore, there will not be the good output. Eliminates in depth the competence and the technical specialization, makes integration and standardization across the product lines difficulties there.

Now difference between the functional versus divisional structures. So first we will take about the meaning. So functional structure refers to groups of jobs. So therefore, you can go for the groups of jobs, other divisional structures are refers to the grouping of jobs related to the one product under one department. Formation is there it is formed on the basis of the function, it is formed on the basis of the product is there.

Specialization it leads to the functional specialization, it leads to the specialization is there and specially it is becoming the divisional structure is there. So, it leads to the divisional specialization more team specialization more. Responsibility is fixing responsibility for a particular department is difficult. Focusing responsibility for a particular department is the easy, because here you are focusing on a particular division and the division how it is performing that you decide on basis of that you can go for the output is there. Managerial development is there, managers become specialized in the one function only.

So there is less chance for the overall managerial development. So here in the functional structure, because there is a focus is on the only on the one task. As a result what happens that is like we talk about the general manager positions. So who becomes general manager, who is having the knowledge of all the functions and therefore in that case the functional structure will be there. The divisional structures will be there only, so there is less chance to overall managerial development is there.

Cost it is economical as there is no duplication of work in the functional structure, but in the divisional structures it is not economical as all the resources are required by the each department is there. Suitability is concerned, it is suitable for such organizations which have a single product as a small number of the products are there. While in the case of the divisional structure, it is suitable for the organizations which are the varieties of the products are there. Now reorganization from functional to division is there. Suppose you are having the functional structures and now you want to go for the divisional structure is there, so you can make these structures like this.

Here it has been given, it is becoming the infotech president is there, R&D manufacturing occurring and the marketing is there. Now in this case whenever we are talking about all these, so infotech department, electronics publishing, the office automation and the virtual reality is there. And therefore here you can find between these two structure differences, there is a functional structure which is based on these functions, R&D manufacturing or accounting and marketing. And while in the case of the infotech president, the divisional structure is there, electronic division is there, virtual division is there and office automation is the another one is there.

Now this is the case study of Indian Yamaha Motors. In spite of the success of its power-packed RX100 model in the 1980s, Yamaha was unable to keep up with the vehicles launched by its competitors such as Bajaj, TVS, and Hero Honda. Even though RX100 was a cult product with many diehard fans, it failed to maintain its fan base in light of the two-stroke and four-stroke transition that was forced by the government in the early 1990s. In spite of the various attempts of rebuilding, its reputation by launching new products, Yamaha failed. The company was forced to explore the option of acquiring managerial control and in the JV. So, due to the vehicles to the losses it has been incurring since 2001.

All efforts taken by the management of the company to prevent losses failed to make any difference and the company continued to bleed. Its market shares which had been going downhill year after year reached down all the time of 4 percent as a result of the company was forced to borrow huge amounts to stay back. It becomes difficult to Yama to reply these loans because of the continuous losses it was facing in its declining sales revenue. Because of the company's deteriorating financial health, the management was forced to plan a restructuring of its Indian operations. So, it became difficult for Yama to repay these loans because of the continuous losses and declining sales.

So, therefore, in that case, since YMI's financial resources had been drained, what was required during restructuring was a restoration of its financial health by pumping in some money. Therefore, it was decided what an amount of 4 billion that is a 2.32 billion by the parent company and 1.68 billion by the mutual investment, a subsidiary of the mutual corporation would be infused into the company's capital. And the company believed the use of contemporary technology to create the new products would help it to redeem these market share.

Thus, the financial resources received were put out to use this effect and the management believed that a few marketing companies could help them to capture the market is there. The Indian operation of Yama had amazed the loss of the 10 billion. In order to prevent the new company from starting its operation with any burden from the past on its balance sheet, the parent company decided to absorb the losses of YMI as a part of the restructuring process. And this was done with the belief that with no goes from the past, the company would be able to get back to its flourishing form by the 2009-2010. Since it would be able to fully focus on the task of restructuring without any restriction or burden of the past is there.

So, another important part of the restructuring strategy whose aim was to bring the chances to the production facilities in order to fold a task. The first was to replace the 40-year-old facility at Swarajpur, Uttar Pradesh with a brand new one and the second

was to upgrade the factory at Faridabad concurrently and it is another city. The factory at Faridabad was responsible for the production of engines and carrying out the machines and costings of the components. Under the restructuring plan, it was proposed that while this facility would be used to manufacturing the energy engines and other components for these paint jobs. So, therefore, the new facility would be used for the purpose of the bike assembly.

It was further proposed that 50 percent of the components would be manufactured in house and the balance be produced through the vendors are there. The company had no intention of rationalizing the vendor base and this step was taken with the belief that it would be the company to set a quality benchmark for the vendors are there. On the marketing front, that is the Koji Arai director and chief sales officer of the company stated that the company aim to increase the number of its dealers from 350 to 500 by the end of the year 2009. An amount of 8 million was dedicated to the process of restructuring. 30 percent of this amount was to be utilized for the purpose of developing new products and the remaining was to be used by the restructuring of other business elements.

Subsidiaries across the world have received support from the parent company in the developing competitors products by focusing on creating more fuel, more efficient motorcycles are there. This is the research paper which you can refer for your further studies and you can find out what is the impact of the organizational culture, organizational structure and technological infrastructure on process improvement through knowledge sharing is there and I have mentioned in the previous session that creating the horizontal organizational structure you are creating the more knowledge sharing culture in your organization. This paper talks about that particular research and I am sure this research will help you to go further for in this particular direction. Now this is a book that is a principle-based organizational structure by N. Dean Meyer which will help you to understand that is how engineering entrepreneurial thinking and team working into organization can lead to the successes there.

These are the references and therefore, you can go through these references and find out that is how the studies can be making the understanding of horizontal and vertical structures functional and the grouping structures are there, what are the advantages, what are the disadvantages and how to make the organization designing. Thank you.