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BBA | Semester I | UK1MDCMGT101

# Organisational Behaviour

Course Code: UK1MDCMGT101 • Module 4 Notes

# Module 4: Organisational Processes, Structure and Technology

## 1. Meaning, Dimensions, and Foundational Building Blocks of Organisation Structure

Organisation Structure defines how tasks are formally divided, grouped, coordinated, and controlled within an enterprise. Far from being a mere static organization chart depicting executive boxes and lines, structure represents the invisible skeleton of an enterprise that channels communication flows, allocates decision-making authority, dictates power relationships, and establishes accountability. Structural design exerts a profound, continuous influence upon employee behavior—determining whether workers experience autonomy and creative empowerment or alienation and bureaucratic paralysis.

### The Three Foundational Structural Dimensions

Administrative scientists evaluate and compare organizational structures across three primary structural dimensions:

- **Complexity:** The degree of differentiation that exists within an organization. Complexity operates along three distinct axes:
  - *Horizontal Differentiation:* The degree of task specialization and the number of distinct occupational units across the enterprise (e.g., engineering, accounting, legal, marketing). High horizontal differentiation requires extensive coordination mechanisms.
  - *Vertical Differentiation:* The depth of the organizational hierarchy, measured by the number of hierarchical supervisory levels separating the Chief Executive Officer from shop-floor operating employees.
  - *Spatial Differentiation:* The geographic dispersion of the enterprise's physical facilities, manufacturing plants, regional sales offices, and international subsidiaries.
- **Formalization:** The degree to which jobs within the enterprise are standardized and employee conduct is governed by written rules, job descriptions, operating manuals, and standard operating procedures (SOPs). In highly formalized structures, employees possess virtually zero discretion over what is done, when it is done, and how it is done. Low formalization permits high operational flexibility, creative problem-solving, and personal discretion.
- **Centralization:** The degree to which formal decision-making authority is concentrated at a single point in the organization—typically senior executive headquarters. In centralized organizations, top managers make all strategic and operational decisions, while lower-level staff merely execute directives. In decentralized organizations, decision-making authority is systematically delegated downward to operational personnel who are closest to customers and daily workflows.

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### The Six Fundamental Building Blocks of Structural Design

To construct an organizational architecture, managers resolve six basic structural questions:

1. **Work Specialization (Division of Labor):** The degree to which organizational activities are subdivided into separate, specialized jobs. While specialization initially boosts productivity through task repetition, excessive specialization induces severe behavioral dysfunctions: boredom, fatigue, stress, absenteeism, and diminished product quality.
2. **Departmentalization:** The foundational basis by which individual jobs are grouped together. Common bases include Functional (by work functions performed: finance, production, sales); Geographic (by regional territories: North, South, Asia-Pacific); Product / Service (by distinct product lines: consumer electronics, enterprise cloud); Process (by sequential workflow stages: turning, milling, painting); and Customer (by distinct client segments: corporate, retail, government).
3. **Chain of Command:** The unbroken line of authority that extends from the top of the organization to the lowest echelon, clarifying who reports to whom. Anchored in classical principles: *Authority* (the formal institutional right to issue orders) and *Unity of Command* (preserving the rule that an employee should have only one direct supervisor).
4. **Span of Control (Span of Management):** The number of subordinate employees a manager can direct efficiently and effectively. Dictates whether an organization possesses a *Tall Structure* (narrow spans, many hierarchical layers, high supervisory overhead, slow communication, risk of micromanagement) or a *Flat Structure* (wide spans, few hierarchical levels, low administrative cost, rapid communication, high employee empowerment).
5. **Centralization and Decentralization:** Systematically balancing concentrated headquarters command against decentralized local responsiveness.
6. **Boundary Spanning:** Establishing institutional linkages and communication bridges across internal departmental boundaries and external environmental stakeholders.

## 2. Patterns of Structural Design: Classical, Modern, and Contemporary Paradigms

Enterprises select and combine structural building blocks to create distinct structural configurations suited to their competitive strategies:

### 1. The Classical Functional Structure

Groups employees together based on similar specialized skills, technical expertise, and resource use (e.g., Marketing Department, Finance Department, Operations Department, Human Resources Department). Advantages include high economies of scale within functional departments, deep in-house technical specialization, and straightforward in-department supervision. Major limitations include functional silo mentalities (departments pursuing narrow sectional goals rather than enterprise success), slow decision-making across functional boundaries, poor cross-functional coordination, and difficulty in isolating accountability for overall product failures.

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### 2. The Divisional (Product / Market / Geographic) Structure

Disaggregates the enterprise into semi-autonomous, self-contained business divisions organized around distinct product lines, customer groups, or geographic territories. Each division possesses its own complete set of functional units (its own marketing, finance, and operations staff). Advantages include clear divisional accountability for profit and loss, high customer responsiveness, rapid adaptation to regional market shifts, and excellent training grounds for general managers. Disadvantages include costly duplication of functional resources across divisions (e.g., each division maintaining separate accounting and marketing teams) and destructive inter-divisional competition for corporate capital.

### 3. The Matrix Architectural Configuration

An innovative structural hybrid that combines functional and project/product departmentalization simultaneously. A matrix structure breaks the classical unity of command principle by assigning employees **Dual Reporting Lines**: an employee reports concurrently to a permanent Functional Department Manager (who handles technical standards, career progression, and professional development) and to a temporary Project or Product Manager (who directs task execution and resource allocation for specific client deliverables).

| Matrix Dimension | Functional Authority Dimension | Project / Product Authority Dimension |
|---|---|---|
| Focus of Authority | Technical excellence, professional quality | Project schedule, customer delivery, budget |
| Reporting Relationship | Permanent vertical reporting line | Lateral, temporary project reporting line |
| Resource Ownership | Maintains pool of specialized technical talent | Borrows technical talent for project duration |
| Evaluation Metric | Adherence to technical and professional standards | Milestone attainment, client satisfaction, margins |

Advantages of the matrix include superior cross-functional coordination, optimal flexible deployment of highly specialized experts across multiple projects without permanent overhead, and rapid adaptation to complex technological environments. Major disadvantages include intense role ambiguity, chronic power struggles and political conflict between functional and project managers, high meeting overhead, and immense psychological stress on dual-reporting employees.

### 4. The Boundaryless Organization and Contemporary Network Topologies

Pioneered by former General Electric Chief Executive Jack Welch, the **Boundaryless Organization** seeks to eliminate the chain of command, maintain limitless spans of control, and replace traditional departments with empowered, self-managed cross-functional teams. It systematically dismantles four traditional barriers: Vertical boundaries (between hierarchical levels, flattened via participative

decision-making); Horizontal boundaries (between functional departments, eliminated via cross-functional teams); External boundaries (between the firm and its customers, suppliers, and regulators, bridged via strategic alliances and co-creation); and Geographic boundaries (overcome via global virtual collaboration).

Contemporary variations include:

- **The Virtual (Modular) Organization:** A lean core organization that outsources almost all primary business functions (manufacturing, distribution, marketing, customer support) to independent third-party specialists, coordinating workflows electronically. The core enterprise focuses exclusively on its core competency (such as brand design and software architecture), achieving immense agility with minimal physical assets.
- **Networked and Holacratic Structures:** Radical decentralized architectures where authority is distributed across autonomous, self-governing circles rather than vested in top-down managerial positions. Roles are fluid, and governance evolves dynamically through consensus.

## 3. Organizational Design and Employee Behaviour

An enterprise's structural choices directly shape the psychological well-being, motivation, and performance of its workforce:

### The Mechanistic versus Organic Design Continuum

In their classic empirical study of Scottish industrial firms, Tom Burns and G.M. Stalker demonstrated that organizational structures exist along a fundamental continuum between two polar structural archetypes:

- **The Mechanistic Model:** Characterized by high horizontal specialization, rigid hierarchical authority, high formalization through exhaustive written rules, centralized decision-making, and vertical, top-down communication. Mechanistic structures are ideal for cost-minimization strategies operating within stable, predictable competitive environments. However, they induce employee alienation, suppress creative initiative, and respond slowly to unexpected market disruptions.
- **The Organic Model:** Characterized by flat hierarchies, low formalization, flexible job roles, decentralized decision-making, broad spans of control, and multi-directional (horizontal, diagonal) communication. Organic structures are indispensable for innovation-driven strategies in volatile, rapidly changing technological markets. They cultivate high employee engagement, creative problem-solving, and organizational resilience.

### Impact of Span of Control and Hierarchy on Employee Stress and Motivation

Structural dimensions directly influence employee mental health:

- **Tall Hierarchies and Narrow Spans:** Provide close supervision, clear promotional ladders, and high procedural clarity. However, they frequently generate feelings of powerlessness, micromanagement frustration, excessive dependency on superiors, and protracted decision-making delays.

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- **Flat Hierarchies and Wide Spans:** Foster high autonomy, accelerated learning curves, and employee empowerment. However, if spans become excessively wide, managers become overloaded bottlenecks, unable to provide adequate coaching or timely feedback, causing subordinate role ambiguity and severe cognitive stress.

## 4. Technology and Organisational Configuration: Woodward and Perrow Frameworks

Technology—the combination of machinery, tools, software, processes, and knowledge deployed to convert organizational inputs into outputs—represents a primary contingent determinant of organizational structure.

### Joan Woodward's Production Technology Typology

In a pioneering empirical investigation of 100 manufacturing firms in South Essex, England, industrial sociologist Joan Woodward established that organizational structure is intimately linked to the technical complexity of an enterprise's manufacturing processes. Woodward classified manufacturing technology into three progressive tiers:

- **Unit and Small-Batch Production:** Custom-made, non-standardized products manufactured to individual customer specifications (e.g., custom machine tools, bespoke luxury tailoring). Characterized by low technical complexity, low division of labor, short hierarchies, wide supervisory spans, low formalization, and highly organic, collaborative structures. Craft workers possess high autonomy and close relationships with supervisors.
- **Large-Batch and Mass Production:** Standardized goods manufactured in high volume on automated assembly lines (e.g., automobile assembly, home appliances). Characterized by high division of labor, moderate technical complexity, tall hierarchical pyramids, narrow supervisory spans, high formalization, and rigidly mechanistic structures. Prone to industrial conflict, worker alienation, and unionization.
- **Continuous Process Production:** Automated, unbroken conversion of liquids, gases, or chemicals (e.g., oil refineries, chemical plants, automated power stations). Human labor shifts entirely from physical handling to electronic monitoring and preventative maintenance. Characterized by the highest technical complexity, tall hierarchies, very small spans of control at the operating level, low formalization, and highly organic, team-based structures among specialized engineers.

### Charles Perrow's Technology Framework

Sociologist Charles Perrow expanded technological analysis beyond factory manufacturing to encompass non-manufacturing and administrative workflows. Perrow analyzed technology along two universal dimensions:

- **Task Variability:** The number of exceptions, unexpected situations, and novel problems encountered in performing the work (Low exceptions vs High exceptions).
- **Problem Analyzability:** The availability of well-defined, standardized computational procedures or search algorithms to resolve problems when they arise (Well-defined analyzable

procedures vs Ill-defined unanalyzable search).

Combining these two dimensions yields Perrow's four technology quadrants:

1. **Routine Technology (Low Exceptions + Analyzable Problems):** Standardized, repetitive work (e.g., automated bank transaction processing, assembly lines). Dictates highly mechanistic structures, high formalization, centralized authority, and narrow spans.
2. **Engineering Technology (High Exceptions + Analyzable Problems):** Complex tasks characterized by many novel situations, but resolved through established computational formulas, scientific algorithms, and analytical logic (e.g., bridge engineering, tax accounting, software coding). Best supported by moderately centralized structures with high formalization through technical documentation.
3. **Craft Technology (Low Exceptions + Unanalyzable Problems):** Stable operational streams dealing with few exceptions, but problem resolution relies upon tacit artisan skill, intuition, and experiential judgment rather than formal algorithms (e.g., glassblowing, fine woodworking, specialized culinary arts). Requires decentralized authority and low formalization.
4. **Non-Routine Technology (High Exceptions + Unanalyzable Problems):** Highly complex, volatile work confronting constant novel challenges with zero standardized solutions (e.g., aerospace R&D, biotechnology genetic research, corporate turnaround strategy). Demands highly organic, decentralized, flexible matrix structures with open communication and self-managed teams.

## 5. Information Technology, Workflow Automation, and Virtual Enterprise Networks

The contemporary digital revolution fundamentally restructured organizational boundaries, communication topologies, and workflow architectures:

### Enterprise Systems and Workflow Automation

Enterprise Resource Planning (ERP) systems, cloud architectures, and algorithmic workflow automation tools have reshaped structural mechanics. Routine supervisory monitoring, inventory tracking, and quality inspections are increasingly executed by automated sensors and algorithmic rules. This digital layer broadens effective spans of control, flattens organizational hierarchies, and compresses decision latency from days to milliseconds.

### The Rise of Virtual, Platform, and Ecosystem Organizations

Digital connectivity enables the emergence of **Platform and Ecosystem Organizations** (e.g., marketplace networks, open-source software consortia, app developer ecosystems). In these models, the firm no longer owns physical assets or directly employs production workers; instead, it provides digital matchmaking infrastructure, governance protocols, and API rails that coordinate independent economic agents globally. These structures operate with radical flexibility, negligible marginal expansion costs, and high dynamic capabilities.

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## 6. Henry Mintzberg's Structural Configurations Framework

In his landmark structural synthesis, Canadian management theorist Henry Mintzberg demonstrated that organizational structures are composed of five basic operational building blocks and coordinated through five fundamental mechanisms.

### The Five Basic Components of an Enterprise

- **1. Strategic Apex:** Senior executive leadership (Board of Directors, CEO, executive vice presidents) charged with overall institutional governance, strategic vision, environmental diplomacy, and resource allocation.
- **2. Middle Line:** The formal chain of middle managers that links the strategic apex with the operating core, translating broad strategic policies into detailed operational schedules and supervising frontline units.
- **3. Operating Core:** The foundational workforce that performs the basic operational work directly related to producing products and delivering services (e.g., assembly line workers, software programmers, hospital nurses).
- **4. Technostructure:** Specialized staff analysts, industrial engineers, financial accountants, and systems architects who standardize the work of others (standardizing work processes, outputs, and professional skills).
- **5. Support Staff:** Specialized units that provide indirect assistance and ancillary operational services to the enterprise outside its core operating workflow (e.g., corporate legal counsel, public relations, payroll processing, cafeteria catering).

### Mintzberg's Five Classic Structural Archetypes

Depending upon which of the five basic parts exerts the dominant institutional pull, five distinct structural configurations emerge:

| Configuration Archetype | Dominant Structural Part | Primary Coordinating Mechanism | Typical Operational Environment |
|---|---|---|---|
| Simple Structure | Strategic Apex | Direct Supervision by Founder/CEO | Simple, dynamic; small startups, retail shops |
| Machine Bureaucracy | Technostructure | Standardization of Work Processes (SOPs) | Simple, stable; auto assembly, postal services |
| Professional Bureaucracy | Operating Core | Standardization of Professional Skills | Complex, stable; universities, hospitals, law firms |
| Divisionalized Form | Middle Line | Standardization of Outputs (Financial Margins) | Diverse, mature markets; corporate conglomerates |

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| Configuration Archetype | Dominant Structural Part | Primary Coordinating Mechanism | Typical Operational Environment |
|---|---|---|---|
| Adhocracy (Innovative) | Support Staff / Operating Core | Mutual Adjustment among Expert Teams | Complex, dynamic; aerospace R&D, film production |

### Lawrence and Lorsch's Contingency Model: Differentiation and Integration

Harvard organizational researchers Paul Lawrence and Jay Lorsch conducted a seminal empirical investigation of enterprises operating in disparate industrial sectors (plastics, consumer food, containers). They discovered that effective organizational performance depends upon balancing two competing structural forces:

- **Differentiation:** The degree to which internal departments develop distinct cognitive orientations, emotional cultures, and structural formalities in response to their specific sub-environments. Lawrence and Lorsch identified four core dimensions of differentiation:
  - *Goal Orientation:* Manufacturing focuses on cost minimization; sales focuses on revenue generation; R&D focuses on scientific novelty.
  - *Time Horizon Orientation:* Production operates on hourly and daily horizons; sales operates on monthly cycles; R&D operates on multi-year development horizons.
  - *Interpersonal Orientation:* Production prioritizes task-oriented directive communication; R&D emphasizes relationship-oriented, egalitarian brainstorming.
  - *Formality of Structure:* Production exhibits high formalization; R&D requires low formalization and organic flexibility.
- **Integration:** The quality of collaboration, mutual coordination, and harmonious alignment across disparate differentiated departments. In highly differentiated environments (like dynamic tech or chemical industries), traditional hierarchical chains of command fail; enterprises must deploy specialized formal integration mechanisms—including cross-functional boundary spanners, dedicated product integrators, and formal project taskforces.

## 7. Socio-Technical Systems and Digital Workplace Ergonomics

Pioneered by Eric Trist and Kenneth Bamforth of the Tavistock Institute through their famous British coal-mining studies, **Socio-Technical Systems (STS) Theory** demonstrates that organizational excellence cannot be achieved by optimizing the technical production system alone while treating the human social system as an afterthought. Instead, superior performance requires the **Joint Optimization** of both the social and technical systems.

### Impact of Artificial Intelligence and Algorithmic Automation

Contemporary digital technologies—such as Artificial Intelligence, machine learning algorithms, and Robotic Process Automation (RPA)—are actively reshaping workplace structures. Routine cognitive tasks and middle-management data compilation are increasingly automated, prompting organizations

to adopt flatter, networked configurations where remaining human employees focus on emotional empathy, complex ethical judgment, cross-disciplinary synthesis, and creative innovation.

## 8. Jay Galbraith's Information Processing Model and Structural Governance

Management theorist Jay Galbraith conceptualized organization structure as an information processing system designed to manage operational uncertainty—defined as the difference between the amount of information required to perform a task and the amount of information already possessed by the organization.

### Strategies for Managing Information Uncertainty

When operational uncertainty escalates due to market volatility or technological complexity, traditional hierarchical chains of command suffer from cognitive overload. Galbraith articulated four structural strategies organizations deploy to maintain equilibrium:

- **1. Creation of Slack Resources:** Reducing the required amount of information processing by lowering performance targets, expanding delivery lead times, or holding larger safety-stock inventory buffers. While slack resources reduce scheduling friction, they incur substantial financial carrying costs.
- **2. Creation of Self-Contained Tasks (Divisionalization):** Disaggregating complex inter-dependent operations into autonomous, self-contained divisional units possessing all necessary resources to complete their mission, thereby eliminating the need for constant inter-departmental communication.
- **3. Investment in Vertical Information Systems:** Expanding information processing capacity through centralized digital enterprise platforms (ERP, automated dashboards, cloud computing) that collect, process, and route real-time operational data directly to executive decision-makers without distortion.
- **4. Creation of Lateral Relations:** Moving decision-making authority down to where information originates by establishing horizontal communication channels: direct contact between managers, formal liaison roles, cross-functional task forces, permanent project teams, integrating managers, and ultimately full matrix structures.

### Decentralization Dynamics and Structural Adaptations to Crises

The allocation of decision-making authority is not static; it dynamically recalibrates across organizational lifecycles and environmental pressures:

- **Advantages of Decentralization:** Relief of top executive overload, allowing leadership to focus on long-term strategy; rapid operational responsiveness to local customer needs and market shifts; heightened employee motivation and psychological ownership; and practical real-world training for future general managers.
- **Costs and Risks of Excessive Decentralization:** Potential duplication of administrative services; inconsistent corporate policies and brand confusion; loss of enterprise economies of

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scale; and the risk of divisional heads pursuing narrow sub-goals that undermine total corporate profitability.

- **Crisis-Driven Structural Shifts:** During acute macroeconomic shocks or organizational crises, enterprises frequently execute a temporary recentralization of authority—establishing centralized crisis-management war rooms to ensure rapid, coordinated capital survival decisions. Conversely, when recovering from operational disruptions, decentralized self-governing nodes provide the operational agility and redundancy required for systemic organizational resilience.

### Larry Greiner's Organizational Growth Model

Organizational theorist Larry Greiner demonstrated that enterprise growth is characterized by alternating periods of evolutionary momentum and revolutionary crisis. Greiner identified five predictable growth phases, each demanding a distinct structural transformation:

- **Phase 1: Growth through Creativity:** Driven by entrepreneurial founders focusing on product development and market entry; culminates in a *Crisis of Leadership* as operational complexities overwhelm informal management, requiring professional administrative leadership.
- **Phase 2: Growth through Direction:** Characterized by centralized functional structures, formal accounting, and standardized directives; culminates in a *Crisis of Autonomy* as lower-level managers feel constrained by centralized micromanagement.
- **Phase 3: Growth through Delegation:** Authority is decentralized to product divisions and regional branch managers; culminates in a *Crisis of Control* as autonomous divisional executives pursue disparate goals, threatening corporate cohesion.
- **Phase 4: Growth through Coordination:** Headquarters implements sophisticated formal planning systems, staff technostructures, and centralized corporate review; culminates in a *Crisis of Red Tape* as bureaucratic paperwork suffocates enterprise agility.
- **Phase 5: Growth through Collaboration:** Overcomes bureaucratic paralysis by transitioning to organic team architectures, matrix task forces, and real-time social networking, fostering continuous organizational innovation.

### Hub-and-Spoke Spatial Architecture in the Post-Pandemic Era

In response to emerging remote and hybrid work patterns, progressive multinational enterprises are actively redesigning their physical spatial structures from monolithic corporate skyscrapers toward agile **Hub-and-Spoke Networks**. In this spatial configuration, a central corporate headquarters (the Hub) is preserved primarily for high-impact executive collaboration, client negotiations, and cultural ceremonies, while a decentralized constellation of flexible regional satellite offices and residential remote nodes (the Spokes) accommodate daily operational execution. This spatial evolution reduces corporate fixed overheads, accelerates localized talent acquisition, and enhances work-life harmony while preserving the vital organizational culture.

## 9. Dynamic Capabilities and Organizational Ambidexterity

To sustain long-term competitive viability across shifting technological cycles, modern enterprises develop organizational ambidexterity and dynamic capabilities:

### The Structural Ambidexterity Architecture

Formulated by organizational scholars Charles O'Reilly and Michael Tushman, **Organizational Ambidexterity** refers to an enterprise's structural capability to simultaneously execute two fundamentally divergent operational activities:

- **Exploitation:** Optimizing current operational workflows, refining mature technologies, improving quality, cutting unit costs, and serving existing markets through incremental efficiency. Exploitative units operate under mechanistic architectures, tight controls, high formalization, and strict budgeting.
- **Exploration:** Searching for radical technological breakthroughs, experimenting with novel business models, developing disruptive products, and pursuing high-risk emerging markets. Exploratory units require highly organic structures, decentralized autonomy, tolerance for calculated failures, and flexible venture funding.

In *Structural Ambidexterity*, the enterprise physically separates exploitative units from exploratory innovation units (such as corporate incubators or autonomous R&D spin-offs) with distinct cultures and incentive structures, while integrating them at the senior executive level through a shared strategic vision. In contrast, *Contextual Ambidexterity* relies upon behavioral capacity across the entire workforce, encouraging individual employees to divide their work time dynamically between routine execution and exploratory innovation.

### David Teece's Dynamic Capabilities Framework

Economist David Teece defined **Dynamic Capabilities** as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities operate across three clusters of managerial activities:

- **Sensing:** Scanning, identifying, and assessing technological opportunities and consumer demand shifts across global competitive horizons.
- **Seizing:** Mobilizing capital, human talent, and manufacturing assets to capture value from identified opportunities through scalable business models.
- **Transforming (Reconfiguring):** Continually realigning, restructuring, and revitalizing organizational assets, legacy departments, and corporate culture to avoid structural inertia and adapt to external disruptions.

By systematically aligning organizational structure with strategic vision, environmental volatility, technological complexity, and human psychological needs, contemporary executives build agile, resilient institutions capable of sustaining enduring competitive advantage.

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