NATIONAL OPEN UNIVERSITY OF NIGERIA

MBA 877

Organization Designs & Development

Module 2

MBA 877 Organizational Designs and Development

Module 2

Course Developer/Writer
Justice Ngarama Chidi, Lagos
Course Coordinator
Abdullahi S. Araga, National Open University of Nigeria
Programme Leader
Dr. O. J. Onwe, National Open University of Nigeria

Credits of cover-photo: Mr. Gbenga Aiyejumo, National Open University of Nigeria.

National Open University of Nigeria - 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi, Abuja, Nigeria.

www.nou.edu.ng centralinfo@nou.edu.ng
oer.nou.edu.ng oerunit@noun.edu.ng OER repository
Published in 2021 by the National Open University of Nigeria

© National Open University of Nigeria 2021

This publication is made available in Open Access under the Attribution-ShareAlike4.0 (CC-BY-SA 4.0) license. By using the content of this publication, the users accept to be bound by the terms of use of the Open Educational Resources repository oer.nou.edu.ng of the National Open University of Nigeria.

The designations employed and the presentation of material throughout this publication do not imply the expression of any opinion whatsoever on the part of National Open University of Nigeria concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The ideas and opinions expressed in this publication are those of the authors; they are not necessarily those of National Open University of Nigeria and do not commit the organization.

How to re-use and attribute this content

Under this license, any user of this textbook or the textbook contents herein must provide proper attribution as follows: "First produced by the National Open University of Nigeria" and include the NOUN Logo and the cover of the publication. The repository has a version of the course available in ODT-format for re-use.

If you use this course material as a bibliographic reference, then you should cite it as follows: "NSC 106: Medical Microbiology and Parasitology, Module 6, National Open University of Nigeria, 2021 at oer.nou.edu.ng

If you redistribute this textbook in a print format, in whole or part, then you must include the information in this section and give on every physical page the following attribution: Downloaded for free as an Open Educational Resource at oer.nou.edu.ng If you electronically redistribute part of this textbook, in whole or part, then you must retain in every digital file (including but not limited to EPUB, PDF, ODT and HTML) the following attribution:

Downloaded for free from the National Open University of Nigeria (NOUN) Open Educational Resources repository at oer.nou.edu.ng

Unit 1 Environment and Organisational Development

1.0 Introduction

In this unit, you will learn about environment and its impact on an organisation. This is based on the premise that there is need for organisations to understand and adapt to the environment in which they are operating. Environment is dynamic and full of a lot of uncertainties; organisations must confront these uncertainties in order to operate effectively and efficiently.

2.0 Objectives

At the end of this unit, you should be able to:

- define environment
- identify types of environment
- evaluate the four kinds of environment proposed by Energy and Trust
- analyse the impact of organic and mechanistic environment on organisational structure
- differentiate between general, specific and actual/perceived environment.

3.0 Main Content

3.1 Definition of Environment

Organisation is an open system; therefore, it interacts with its environment. Organisations depend on their environment. The need for mutual dependence and interdependence becomes the basis for cooperation and management of environmental forces. For effectiveness and efficiency, organisations are expected to adapt to the environment, this will help them to reduce uncertainty.

Since they cannot control or understand the effects of nature on desired outcome, it is necessary to adapt in order to achieve something worthwhile. As an open system, organisation must develop monitoring and feedback mechanisms, this will help to identify and make necessary adjustment in response to changes in the environment.

Now, Stephen Robbin (1987) identifies environment as composed of those institutions or forces that affect the performance of the organisation, over which it has little or no direct control. Another view on environment is that- if you take the universe, subtract from its subset that represents the organisation, what is left is environment. According to Galbraith (1977), anything that is not part of the organisation is part of the environment. He also points out the boundaries of many organisations as amorphous.

Self-Assessment Exercise 1

Give two definitions of environment.

3.2 Types of Environment

Let us look at a number of examples.

1. General environment

The general environment encompasses condition that may have an impact on the organisation; but their relevance is not overtly clear as stated by Robbins (1987). They include economic factors, the ecological situation and cultural condition, political condition, social milieu and the legal structure.

2. Specific environment

This part of environment bears direct relationship and relevance to the attainment of organisational objectives. The effectiveness of an organisation depends on these factors, and hence, they can affect the environment negatively or positively and therefore must be managed properly because they are critical to organisational growth and effectiveness. Every organisation has a unique environment and it could change with conditions.

Specific environment includes clients, customers, suppliers, competitors, and government regulations. Robbins points out that an organisation's specific environment will vary, depending on the domain it has chosen.

Domain is described as the claim that an organisation stakes out for itself with respect to the range of products or services offered and the market served. It identifies the organisation's niche. For instance, Guinness Nigeria Plc, and Nigeria Breweries Plc are both companies in Nigeria, operating in a distinctly different domains. University of Lagos and Yaba College of Technology are institutions of higher learning, within the education sector. These two institutions have different domains. The concept of domain is important because it is what determines the point at which an organisation is dependent upon its specific environment. Change the domain; you will eventually change the specific environment.

3. Actual/perceived environment

An attempt to define environment requires making a distinction between objective or actual environment and the one that the manager perceives. Evidence indicates that measures of perceived characteristics are not highly correlated. It is a matter of perception, not reality, which leads to the decisions that managers make regarding organisational design.

The same environment that one organisation perceives as unpredictable and complex may be seen as static and easily understood by another organisation. People on the lower cadre in an organisation may select part of that something "out there" and call it specific environment, whereas people higher up in that same organisation will see something else to be the firm's specific environment. These differences in perception may be based on background, education, functional area within which the individual work.

In other words, this implies that organisations construct or invent their environment and the environment created depends on perception.

It is good to note that perceived environment counts, managers respond to what they see. Stephen Robbins concluded that the structural decisions that managers make to better align their organisation with the degree of uncertainty in their specific environment depends on

the manager's perception of what should make up the specific environment and the assessment of uncertainty.

Self-Assessment Exercise 2

Differentiate between general and actual perceived environment.

3.3 Environmental Uncertainty

Environment plays strategic role in organisational development, but they are not the same. Some organisations may face relatively static environments; in other words, changes may be a little bit slow, in terms of competition, technology, and so on. Other organisations may have a very dynamic environment, which means rapid changes in terms of new competitors, continuous changing product preferences by customers and government regulation, technology and so on.

Static environment is associated with less uncertainty for managers than dynamic environment. Uncertainty constitutes a threat to organisational effectiveness; therefore, management has to minimise this uncertainty. This is often done through manipulation of organisational structure.

Self-Assessment Exercise 3

Explain the term environmental uncertainty.

3.4 Various Researchers and their Contributions to Organisational Environment

Ten Burns and G. M Stalker, in their research work, evaluated the environmental conditions of firms, in terms of the rate of changes in their scientific technology and their relevant product market through interviews with managers and observations. They discovered that the type of structure that existed in rapidly changing and dynamic environment was significantly different from that of organisations with stable environments. They described the two structures as organic and mechanistic.

a. Mechanistic structures

These structures were associated with high complexity, formalisation and centralisation. Consequently, they perform routine tasks, behaviours and are heavily programmed; also they were found to be relatively slow in responding to the unfamiliar.

b. Organic structure

These are relatively flexible and adaptive with emphasis on internal rather than vertical communication; here, influence is based on expertise and knowledge, rather than authority of position. Also, responsibilities are loosely defined, and emphasis is on exchanging information, rather than ongoing directions. It was observed that the most effective structure is one that adjusts to the requirements of the environment; which means, using a mechanical design in a certain, stable environment, and the organic form in a turbulent environment.

However, the mechanistic and organic forms have been recognised to be the ideal types, defining two ends of a continuum. Organic is purely mechanistic or purely organic but, rather moves towards one or the other. Suffice it to say that one is not preferred over the other; the nature of organisational environment determines which one is superior (Robbin, 1987: 44).

Self-Assessment Exercise 4

Differentiate between mechanistic and organic structures of organisation.

(B) Energy and Trust

This effort made vital contributions to the understanding of the environment of an organisation. Here, four kinds of environment have been identified, as shown below.

a. Placid-randomised environment

This poses little threat to the organisation because it is relatively unchanging. It is analogous to the economist's state of pure competition; in which there are enough buyers to absorb the market, consequently uncertainty is low. Since change is low and random, they are predictable; and therefore, managerial decision-making is not likely to give much consideration to the environment.

b. Placid-clustered environment

This is associated with low changes. However, its threat to the organisation is clustered, rather than random. This indicates that forces in the environment are linked to one another. For example, suppliers and distributors may join forces to form a powerful coalition. Organisations that are in a placid clustered environment are motivated to engage in long range planning and their structure will tend to be centralised.

c. Disturbed-reactive environment

This is much more complex because different competitors seek similar ends. In this situation, one or more large organisations or companies may dominate or exert greater influence in the environment, and over other organisations; they may also exert price leadership in such industrial sector. For instance, Coca-Cola Nigeria exerts tremendous influence in the soft drink industry.

However, in a bid to measure up, Seven-up Bottling Company started fifty *(cl)* bottles with a price, almost, equivalent to the price of Coca-Cola's 35 *(cl)* .Almost immediately, Coca-Cola started its own fifty *(cl)*; and since Coca-Cola dominates the market, people tend to prefer it to Seven-up. So, organisations in this type of environment need to be strategic, in order to proactively deal with competition in the market place.

d. Turbulent field environment

This is the most dynamic, and it is associated with high level of uncertainty of inevitable changes, with interrelated elements in this environment. Here, change is dramatic and cannot be predicted, management's efforts to anticipate it through planning will have little positive value. Organisations in turbulent field environment may be required to develop new products, or services, on a continual basis, to survive. There is also need to reevaluate its relationships to customers, suppliers and government agencies. Personal computer manufacturers, in the 1980s, dominated this environment.

According to the research findings of Energy and Trust on technology, the less of routine inherent in the technology, the greater the uncertainty, the less effective the mechanistic qualities, and the more important it is to use flexible structural forms. Uncertainty means stability and potential for major and rapid changes, only flexible structure can respond to such changes, according to Robbins (1987).

Self-Assessment Exercise 5

Discuss the various types of environment identified by Energy and Trust.

Major environment changes, in recent years, as stated by Robbins (1987), are as listed below.

1. **Technology**

- Introduction of micro computer
- Tele communication satellite
- Worldwide telephone direct dialing.

2. **Social**

- Women movement
- Concern for physical fitness
- Resurgence of commercialisation and development of urban centers for commercial and residential purposes.

3. **Economic**

- Deregulation of the airline and haulage industries
- Rapid rise and fall of oil price
- Decline of inflation rate.

4. **Political**

- End of the military era
- Election of conservative candidate
- Shift of government powers from the federal to state levels.

3.5 Environment: Structural Relationships

An organisation depends on environment totally or partially, though some may be more dependent than the other. For instance, organisations which their workers are unionised are more prone to union activities because their effectiveness depends on the relationship with the leadership of the Union.

Studies indicate that dynamic environment has more influence on structure than a static environment, and this usually will lead an organisation toward an organic form, even if its

large size and routine technology may look like a mechanistic structure. Static environment, however, will not override the influence of size and technology. However, Stephen Robbins points out that this evidence, when linked up with our observation of the dearth of organic structures gives a picture of what is indicated below.

Moderately high, perceived uncertainty High perceived uncertainty

Environment: small number of components in the environment: large number of

Environment: The components are somewhat in the environment, these components are

similar to one another, and they are not similar to one another in continual process of change. and they are continually in the process of change.

Structure: low complexity, low Structure: low complexity, low formalisation and centralization formalisation and decentralization e.g. entrepreneurial firms where the e.g. Lawrence & Lorchis plashe chief executive maintains tight firms, NASA Electronics firms.

control.

Low perceived uncertainty Moderate, low perceived uncertainty.

Environment: small number of components Environment: large number of components

in the environment. These components in the environment, these components are

are somewhat similar to one not similar to one another but remain basically

another, remain basically the same.

and are not changing.

Structure: high complexity, high Structure: high complexity, High formalisation

formalisation and centralization and decentralisation.

e.g. Lawrence and Lorch's container Examples are hospitals, universities.

Firms and Woodward mass

Production manufacturing firms.

Figure 1.1: Defining and Measuring Environment

1. Dynamic environment are not, in activating, that prevalent;
2. Managers may not recognise dynamic environment when they see them;
3. Organisations have devised ways of reducing their dependencies when facing dynamic environments.

3.6 Environment and Complexity: Formalisation and Centralisation

The relationship between complexity and environmental uncertainty is in the inverse. Hence, the departments within the organisation that are mostly dependent on the environment should be, relatively, lowest in complexity. This also indicates that fewer hierarchy levels are associated with organisations with greater concern for specific environmental goals.

Stable environment of course, necessitates high formalisation, because minimum rapid response, resulting from the environment and economies exist in organisations that standardise their activities. This may not be likely in all organisations; however, managers' interest should be to protect the operations of the organisation from uncertainty. If that is achieved, a dynamic environment is likely to lead to low formulation of boundary activities while maintaining relatively high formalisation within other functions Robbins (1987).

However, the more complex the environment, the more decentralised the structure, whether the environment is static or dynamic. Accordingly, when there is a large number of a dissimilar factor, centralisation becomes the best option for an organisation to meet the uncertainties. There is also the tendency that difficulties may arise as a result of management's inability to comprehend a highly complex environment. This is because the capacity of management to process information becomes over loaded, and the implication is that decision-making process is decentralised and there is delegation of authority.

4.0 Conclusion

It should be evident to you, by now, that organisations have to interact with their environment; this is inevitable, as there is the need for mutual dependence and interdependence. This becomes the basis for cooperation and management of environmental forces. Since Organisations have little or no direct control over their environment, effectiveness and efficiency in their operations demand that they adapt to the environment to reduce uncertainty.

5.0 Summary

In this unit, you have learnt that an organisation is an open system, and therefore, it interacts with its environment. This unit also considered the types of environment and reviewed environmental uncertainty and research findings on the organisation and its environment.

6.0 Self-Assessment Exercise

Identify the relationship between environment and component of organisational design (complexity, formalisation and centralisation).

7.0 References/Further Reading

Fred, Energy & Eric, L. (1965). "Trust: The Casual Texture of Organisational Environments." *Human Relations*, pp. 21 – 32.

Galbraith, Jay (1977). *Organisational design*. Philippines: Addison – Wesley Publishing Company Inc.

Stephen, Robbins. (1987). *Organisation Theory: Structure, Design and Application*. (International Edition). Englewood Cliffs, New Jersey**:** Prentice-hall.

Unit 2 Managing The Environment

1.0 Introduction

In the last unit, you learnt about environment and organisational development. To further boost your understanding of this issue, this unit will examine how to manage the environment of an organisation. Every organisation is confronted with uncertainty in the environment, probably, due to the dynamism of the business environment.

However, irrespective of the source of the uncertainty, management must manage it so as to keep the organisation afloat, effective and efficient. Ignoring the uncertainties associated with environment is the greatest undoing of any organisation; identifying them and taking appropriate action is what makes an organisation competitive and effective in achieving its objective.

2.0 Objectives

At the end of this unit, you should be able to:

- analyse strategies for managing the environment
- differentiate between internal and external strategies
- identify factors associated with external environment
- explain management of environment.

3.0 Main Content

3.1 Managing the Environment

As mentioned to you earlier in this unit, organisations interact and depend on their environment. Though, the level of dependency differs, it can be more or less depending on the organisation. Organisational environment is associated with uncertainties; all organisations are confronted with these challenges.

Since the environment is dynamic, managers have the onerous responsibility of reducing these uncertainties which confront their organisations. For example, an organisation can choose to diversify its products to get more customers, and increase sales. It can embark on joint venture to reduce competition; it can lobby the legislature to enact laws that will be of benefit to its operations. It is quite clear that the larger an organisation is, the more the resources and skills that will be at its disposal, and the more the influence it will exert.

Self-Assessment Exercise 1

Explain the concept of environmental management.

3.2 Strategies for Managing the Environment

There are, generally, two strategies for minimising environmental uncertainties. These are classified as internal and external strategies.

A. Internal strategies

This does not involve changing the environment to reduce uncertainties, but it involves making internal adjustment to make the organisation fit into the environment. Managing the internal environment involves certain considerations. Issues concerning the environment need to be included in decision-making. The choices of strategy, technology and location determine the organisation's task environment.

To choose mechanisms by which elements of the task environment can be included, the organisation needs to balance its need for autonomy and flexibility with the exchange of commitments to reduce uncertainty and get cooperation and coordination. This is necessary because, if the task environment has too much influence, the organisation becomes subservient.

On the other hand, inadequate influence may lead to instability, unpredictability and lack of support, which may manifest when the organisation is not prepared or unable to react and adapt. From the societal point of view, insufficient environmental influence leads to monopolies and other concentrations of power- of unilaterally allocating society's resources.

i. Domain choice

This could be one of the measures organisation can use to confront unfavourable environmental uncertainty. Management can decide to specialise in areas where powerful competition is less. There are factors that discourage competition; these include high entry costs, economies of scale, or regulatory system, numerous suppliers, union, less powerful pressure groups and so on.

Specialisation becomes necessary in an organisation carving out a niche for itself. When the environment is stable, the specialists have advantages; however, when the environment is dynamic, organisations, with elaborate strategy enjoy flexibility which allows management to internally redirect resources to take advantage of opportunities in the environment. Also, note that the more general the objectives, structure and activities of an organisation, the greater the flexibility it will have in responding to environmental change.

ii. Recruitment

Recruiting the right people, at the right time and/or at the right place can also reduce the influence of the environment on the organisation. Robbins (1987) points out that corporations take executives from competing firms just to acquire information about their competitor's future plan. Business and legal firms hire such officials, often at a very high cost (in terms of remuneration) to take advantage of their favourable ties with influential decision makers, and also to benefit from their knowledge of government operations.

iii. Environmental scanning

This involves assessing the environment to identify competitors, government union and their action and the way it will influence the operation of the organisation in the future. This will help the organisation to forecast anticipated changes and make internal adjustments to

respond proactively. For instance, a manufacturing company can anticipate a change in the demand of its products, and put a plan in place, ahead of time, to minimise the impact of these changes.

iv.Buffering

This ensures that the operations of the organisation are unhindered. In this case, supplies and absorption of output are ensured. Buffering, on both input and output side, presents the organisation as a closed system. On the input side, buffering occurs when organisations stockpile materials and supplies; it involves the use of multiple suppliers, engaging in preventive maintenance or recruiting and training new employees. This operation is done to prevent the organisation from the unexpected.

v. Smoothing

This is done to reduce the impact of fluctuation in the environment. Smoothing problem begins with the fact that all organisations have fixed resources. These resources produce goods and services for which there is a demand from customers and clients. Smoothing problem arises because the nature of the service, which makes up the user's desired consumption pattern, does not coincide with times and quantities which make for efficient utilisation of resources. The demand for these services may vary, either randomly or systematically, on daily, weekly and yearly basis.

For example, the heaviest demand on telephone equipment is between the hours of 8 a.m. and 6 p.m. on Monday to Friday. Telephone firms have sufficient equipment to meet this demand at peak periods. They manage the demand by charging high price at peak period, and charges for calls are lower during off-peak periods and weekends to encourage customers.

vi.Rationing

When there is excess demand due to uncertainty in the environment, management may decide to ration their products and services, based on priority.

vii.Geographical dispersion

Environmental uncertainty varies from one location to the other; organisations counter the impact of geographical dispersion by moving into a different community. They reduce such impact by operating in multiple locations.

Self-Assessment Exercise 2

Outline five important internal strategies that an organisation can use to reduce uncertainties relating to its environment.

B. External strategies

This is the attempt by an organisation to change its environment- to make it more favourable. This can be achieved through the use of advertising to shape the taste of consumers, so as to restrict competition.

i. Co-opting

Co-option has been defined as the process of absorbing new elements into the leadership or policy making structure of an organisation as a means of averting threats to its stability or existence. Studies indicate that the composition of the board of a corporation can be explained by considering the organisations requirements for various types of environmental support. For example, appointment into boards of directors, board of trustees, advisory boards or advisory councils to perform policy making function can be premised on getting support from the environment.

If an organisation's primary need is capital, it is likely that a greater percentage of its directors will be from banks, insurance companies and other financial institutions. Also organisations experiencing labour unrests can appoint union officers on the board. Two or more organisation can share one or more directors in common as management strategy, to counter environmental uncertainty. This is called interlocking directorate coalescing. This is the combination of one or more other organisation for the purpose of joint action.

These mergers, often, bring about economies of scale by eliminating redundant administrative personnel and creating opportunities for merging technical and managerial expertise. It helps to reduce environmental uncertainty by reducing inter-organisational competition and dependency.

ii. Lobbying

Organisations, especially big ones, tend to lobby legislatures- both state and federal, in a bid to protect their interest. Lobbying- which involves using influence to achieve favourable outcomes, is a wide spread practice used by organisations to manage their environment. For example, trade and professional associations, actively, lobby on behalf of their members. Some organisations even lobby state licensing boards to restrict entry and regulate competition and keep their profession more safe.

iii. Public relation response

Organisations attempt to establish and maintain favourable images in the mind of those making up the task environment. They foster a favorable image through mass media and skillful use of publicity. This is done by using professionals who link the organisation with the media. The use of mass media implies that this response is appropriate when environmental support is dispersed. Successful public relations result in better chances to attract personnel, capital, customers, donors, students, volunteers. Also during the times of shortage and scarcity, prestigious organisations may still attract support while the less prestigious ones cannot.

iv. Cooperative strategies

This is concerned with the coordinated action of two or more organisations to resolve joint problems. This can involve competitors acting together; it can involve buyers and sellers, and employer. Galbraith (1977) points out that as an independent strategy there are several alternatives which are appropriate under various conditions. In each case, however, the local organisation must yield some autonomy when making commitments and co-coordinating its actions.

In employing cooperative strategies, the focal organisation recognises that those elements of the task environment on which it is dependent also have dependence problem on their own. There are times when bank loan is scarce, and there are times when there are enough funds

for loan facility and bankers become dependent on borrowers. So, it is interdependence that is the basis for cooperation between elements of the task environment and the focal organisation.

Note that the amount of dependence varies directly- with the strength of the need for the support that an element can give, and inversely- with the abundance of elements. The amount of autonomy that the focal organisation is willing to give up varies directly with the amount of dependence (Galbraith, 1977).

v. Contracting

This can protect the organisation from changes in quality or price on either the input or output. Management may agree to a long-term fixed contract to purchase materials or to sell a certain part of the organisation's output. For example, airline operators enter into contract with oil companies to buy fuel on a fixed term contract, thus reducing their susceptibility to fluctuations in availability and pricing. Contracting constitutes one of the mechanisms with a higher information capacity, which is merely the resolution of an agreement between the organisation and another group to exchange goods, services, information patents, commitments, and so on- over a period of time.

Negotiation implies direct contact between the parties, thus leading to an explicit form of cooperation. It also implies dialogue, information exchange, and bargaining to reach agreement on coordinated action. The agreement may be legally binding, but may be based on reputation and trust, as well. In other words, contracting is an explicit form of cooperation involving negotiation and two-way communication between inter-dependent parties. The parties negotiate only those issues that are important to task environment, which cannot be managed through independent actions or implicit cooperation.

4.0 Conclusion

In this unit, it has been made clear to you that managing the environment of a firm requires analysis of the sources of uncertainty and selecting appropriate strategy that the organisation can implement. Thus, internal and external strategies are usually available. The management can choose from these or both. However, the most fundamental issue is that management should always adapt and change its actions to fit the environment as appropriate.

5.0 Summary

In this unit, you learnt that an organisation's environment is associated with uncertainties- no organisation is exempted from this challenge. Also, you have learnt the approaches to dealing with or reducing uncertainties.

6.0 Self-Assessment Exercise

1. Explain the concept of cooperative strategy in reducing environmental uncertainties.

2. Identify major elements involved in contracting as a means of handling uncertainty.

7.0 References/Further Reading

Dennis, W. O. (1971). "Linking Pin between Organisations and Environments." *Business Horizon,* p. 74.

Galbraith, R. Jay (1977). *Organisational design*. Philippines: Addison – Wesley Publishing Company Inc.

Howard, E. Adrich (1979). *Organisations and Environments*. Englewood Clliffs, New Jersey: Prentice-Hall.

Stephen, Robbins (1987). *Organisation Theory: Structure, Design and Application.* Englewood Cliffs New Jersey: Prentice-Hall Inc.

Unit 3 Structure and Elements of Formal Structure

1.0 Introduction

In this unit, you will be exposed to the concept of structure in an organisation. Every organisation exists to achieve a goal; this is accomplished through rational coordination of activities. In other words, these activities or tasks are grouped or divided for easy coordination in attainment of the organisation's objectives. If proper structure is in place, it will enhance the overall good of the organisation.

Structure is considered effective or ineffective to the extent that it facilitates or detracts from the achievement of group and individual objectives. This unit will attempt an analysis of the content of a good structure and element which make up a formal structure.

2.0 Objectives

At the end of this unit, you should be able to:

- define organisational structure
- analyse Mintzberg's structural configuration
- explain the element of formal structure.

3.0 Main Content

3.1 Concept of Organisational Structure

Organisational structure is about how tasks are formally divided, grouped and coordinated. A structure is a design, an arrangement, a composition and a configuration of something. Organisational structure, according to Obisi Chris (2003), is therefore the prevailing or existing design and arrangement through which an organisation achieves or strives to achieve pre-determined goals and objectives.

Obisi points out that if there is proper structuring in an organisation, it will lead to the overall good of that particular organisation. For instance, structuring in public and private organisations is more centralised, rigid, uniform, and more integrated; while the mixed sector organisation is loosely structured, flexible in approach and informally centralised. The importance of putting appropriate structure in place cannot be overemphasised; whether the organisation is a business entity, government, church, educational institution, hospital and so on, a faulty structure will impede performance and destroy effectiveness.

However, wrong structure poses a lot of danger to an organisation; Drucker (1977), notes that the best structure will not guarantee result and performance, but a wrong structure is a guarantee for non-performance. It only generates friction and frustration. Suffice it to say that the right organisational structure is the prerequisite of performance. The objectives of the organisation, its purpose, and mission determine the kind of structure to adopt.

Lawrence and Lorsh (1967) pointed out that most organisations are in a state of tension as a result of the need to be both differential and integrated. Once an organisation has grown beyond the point where owners can exercise direct control, some degree of differentiation and specialisation are inevitable. This, at once, requires some steps to be taken to ensure sufficient coordination of the new structure.

Cole (1995) sees organisational structure as a concept that is used to describe organisational relationship. He defines it as an intangible web of relationship between people, their shared purposes, and the tasks set, to achieve those purposes. Mintzberg (1979) defines organisational structure as the sum total of the ways in which it divides its labour into distinct tasks and how to achieve coordination between them.

3.2 Organisational Structure and Culture

While observing organisations in terms of their culture, Hand (1993) identifies four structures that support the culture which he was describing. These four structures are described below.

- The web structure- where power is centralised in the hand of a few key individuals and which is suited to small organisations.
- The Greek temple – which is based on functional specialisations and defined roles and is generally seen as a bureaucracy.
- The net – which is essentially a matrix organisation in which project teams are co-ordinated by line and functional units, and where the emphasis is on task.
- The cluster or galaxy – this is constructed around relatively independent and self-supporting individuals, such as in a professional practice of some kind (doctors, architects, accountants etc.). However, in practice, it is worthy of note that an organisation will comprise more than one of these cultural models, although one may be predominant.

Mintzberg (1983) was more pragmatic in his development of a five-segment concept of an organisation, as reflected below.

A strategic apex-which comprises the chief executive and directors; then, proceeding down the operational line- a 'middle-line' of operational management; and followed by suppliers. On either side of the operational line, (traditionally called 'the line', in classical thinking) are:

- the techno structure comprising functional specialists and advisors and
- the 'support staff members' who provide corporate services, and who in classical terms, will be seen as "staff" or employees)

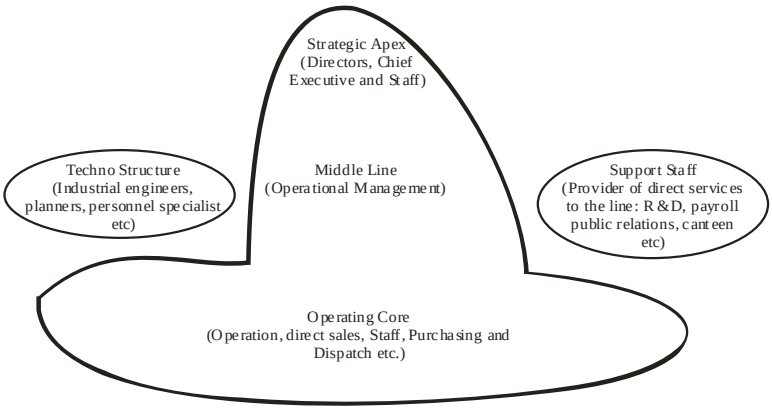

Fig. 3.1: The Basic Parts of an Organisation

Mintzberg uses the flexibility of his model to further develop five different configurations of structure. These configurations reduced the separate influences of organisational features into manageable concepts that can be used in the study of organisations. Mintzberg proposes five configurations-as listed below.

- Simple structure
- Machine bureaucracy: dominated by specialists
- Professional bureaucracy: dominated by skills of core staff
- Divisionalised form: dominated by products and outputs
- Adhocracy: shared dominance of core staff and support services.

3.3 Organisational Variables and Common Forms of Structure

There are key organisational issues, or variables, that feature often times in discussion about what determines organisational structures. Cole (1996), points out some of these, as shown below.

- Purposed goals – this is the fundamental aims and goals of the group.
- People – those who make up the organisation.
- Tasks – these include those activities that are required to achieve organisational aims and goals.
- Technology- these include the technical aspects of the internal environment.
- External environment- these include the external market, technological and social conditions affecting the activities of the organisation.

These are also alternative ways of deploying the intangible web of relationship that make up the structure of an organisation. Cole identifies five of the most common forms of structure; these are as follows.

Functional organization: this form of organisational structure is based on groupings of all major business functions- for instance, production, marketing, finance, personnel.

Product–based organization: this is based on individual products, or products ranges, where each grouping carries functional specialisation.

Geographical organization: this centers around appropriate geographical features e.g. regions, nation, sub-continents.

Divisional structure: it is usually based on products or geographical location (or both), and finance, with certain key function such as planning.

Matrix structure: this is based on a combination of functional organisation and project–based structures, thereby combining vertical and lateral lines of communication and authority.

Self-Assessment Exercises 1

1. Identify four forms of structure that support culture.
2. What is structure? Is it really necessary in an organisation?

3.4 Elements of Formal Structure

Organisational structure deals with how tasks are formally divided, grouped and coordinated. There are, basically, six elements that should be taken into consideration when designing a structure. These are identified below.

1. Specialisation

This principle demonstrates that work can be performed more efficiently, if employees are allowed to specialise. This can also be called division of labour; and this describes the degree to which activities in the organisation are subdivided into separate tasks. The essence of specialisation is that, instead of an individual doing an entire job alone, it is broken down into a number of steps and subtasks, to be handled by separate individuals. The good thing here is that an individual specialises in doing a part of the task, rather than the entire activities.

One of the advantages of work specialisation is that it boosts efficiency. The skill of the employee at performing a task successfully increases by doing the task over and over again. Time that could have been used in changing task and in putting away work tool and equipment and getting ready for another job is saved. Also, training enhances efficiency; as it is easier and less costly to find and train workers. This is, especially, true of highly sophisticated and complex operations. Specialisation increases efficiency and productivity by encouraging creativity.

However, it is evident that if specialisation is carried too far, it could degenerate to human diseconomies which may reflect as boredom, fatigue, stress, low productivity, poor quality of work, and increased absenteeism. In such cases, productivity can be improved upon by enlarging, rather than narrowing the scope of tasks.

2. Departmentalisation

This is the grouping of jobs together, so that common tasks can be coordinated. One of the most popular ways to group activities is by functions/schedule of duty. An industry may organise its operations by separating engineering, accounting, manufacturing, and human

resources. Departmentalisation by function can be used in all types of organisation. Only functions can reflect the objectives and activities of the organisation.

Departmentalisation can take various forms. Tasks can be departmentalised by the type of product the organisation produces, this offers the advantage of increased accountability for product performance, since all activities are related to specific products, and are under the direction of a single manager. If the activities of an organisation are service related, rather than product based, each service can be autonomously grouped. Departmentalisation can also be based on geographical location or territory; for instance a function (like marketing) in an organisation can be located in a different state.

3. Chain of command

This is the unbroken line of authority that extends from the top hierarchy of the organisation to the lower cadre, specifying who reports to whom. It specifies reporting lines in an organisation. Two important concepts that will help you to understand chain of command are authority and unity of command. Authority refers to the right, inherent in a managerial position, to give orders, expecting the orders to be obeyed. This helps to facilitate coordination; each manager is given a degree of authority that will help him/her to discharge his or her responsibilities.

4. Unity of command

This preserves the unbroken line of authority; it specifies that a staff should have only one superior, to whom he is directly responsible. If the unity of command is broken, an employee may have to grapple with conflicting demand of priorities from several superiors.

5. Span of control

The span of control is the number of subordinates under the control of a superior. If the span is too large, it can create some bottlenecks. Span of control is wide, if a person has many people under his or her control; while it is narrow, if the person has less people under his control. Span of control is important because, to a large extent, it determines the number of levels and managers an organisation has. All things being equal, the larger the span, the more efficient the organisation will be.

However, Harris Jeff (1976) indicates that span of control or supervision is important, because it determines the amount of attention each supervisor can give to each subordinate. It also enhances ease of communication, decision- making process and other superior-subordinate relationships.

6. Centralisation/decentralisation

Centralisation indicates that decision-making lies with the top hierarchy in an organisation. An organisation where decisions are made by only the officers at the top is said to be centralised. Those in which authority is distributed are said to exhibit varying degrees of decentralisation. Thus, centralisation–decentralisation refers to the vertical distribution of power associated with vertical division of labour. Classical theorists are of the opinion that, that decentralisation is not good or bad, rather, the degree of centralisation depends on the prevailing situation. The question of centralisation–decentralisation is a simple question of proportion; it is a matter of finding the optimum degree for the particular concern.

7. Formalisation

This indicates the degree to which an organisation is standardised. If a job is highly formalised, then the job handler has minimal amount of discretion over what is to be done and how she or he should do it. Where formalisation is low, attitudes on the job are

relatively non-programmed and employees have a great deal of freedom to exercise discretion in their work.

Also, freedom to exercise discretion on the job is inversely related to the amount of behavior on that job that is programmed by the organisation. The greater the standardisation of work procedures, the lesser the input of employees concerning how tasks are to be done. Standardisation, not only eliminates (on the part of employees) the possibility of engaging in alternative behaviour, it removes the need for employees to consider an alternative.

Self-Assessment Exercise 2

Identify and discuss elements of formal structure

4.0 Conclusion

In this unit, it has been made clear to you that the importance of putting appropriate structure in place cannot be over emphasised- irrespective of the organisation. Faulty structure will impede performance and destroy effectiveness in the organisation. Also, it has been noted that formal structure contributes stability and continuity to accommodate those activities which are recurring and routine and those tasks which are anticipated or planned.

5.0 Summary

In this unit, you have studied the concept of structure, its implication and definition in the organisation. Structure is seen as a design, an arrangement, a composition and a configuration through which an organisation strives to realise its objectives. This unit has also examined organisational structure (and the way it affects culture), structures that support culture, and organisational variables and common forms of structure.

6.0 Self-Assessment Exercise

Wrong structure can be a serious challenge to an organisation. Discuss.

7.0 References/Further Reading

Albert, K. Wickesberg (1966). *Management Organisation*. New York: Meredith Publishing Company.

Balogun, J. O. (2002). Organisational Theory and Management.

Chris, Obisi (2003). *Organisation Behaviour: Concept and Application*. Malthouse Press Ltd.

Drucker, Peter (1954). *The Practice of Management*. New York: Harper and Brothers.

Galbraith, Jay (1977). *Organisation Design*. Philippines: Addison – Wesley Publishing Company Inc.

Stephen, Robbins (1987). *Organisation Theory: Structure, Design and Application.* New Jersey: Prentice –Hall.

Unit 4 Structural Dimension of Organisation: Complexity

1.0 Introduction

In this unit, you will be taken through the structural dimensions of organisation. There are basically three components that make up organisational structure. These are complexity, formalisation and centralisation. This particular unit will examine complexity which determines the degree of differentiation found in an organisation. There are three types of differentiation found in an organisation; let us take them one after the other and examine their impact.

2.0 Objectives

At the end of this unit, you should be able to:

- explain structural dimension of an organisation
- describe complexity as a component of structural dimension
- identify three types of complexities.

3.0 Main Content

3.1 Structural Dimension of Organisation

There are three components that make up organisational structure. These three core dimensions have been accepted, though some scholars still have different opinions about them. They are complexity, formalisation and centralisation. In the course of this study, you will get to know more about these three components of organisational structure.

Complexity describes the extent or degree of differentiation which is found within an organisation. There are three types of differentiation- these are spatial differentiation, horizontal differentiation, and vertical differentiation.

a. Spatial differentiation

This refers to how the personnel and other facilities in an organisation are dispersed and located geographically. Differentiation has to do with how offices, plant and personnel are dispersed geographically. Spatial differentiation is an extended dimension of both horizontal and vertical differentiation. Horizontal and vertical differentiations enhance the operation of an organisation and hierarchical arrangement in multiple locations.

However, spatial differential considers how task and power can be separated geographically and this contributes to the complexity of an organisation. For instance, a company like Eleganza Nigeria Limited can differentiate, horizontally, by separating marketing functions from production. In this aspect, it means that it may have marketing outlets in several geographical locations of the country, probably many states, while production takes place in Lagos. The implication of this is that the complexity in this organisation will increase, compared to when all marketing outlets and production base are in one location, like Lagos.

Management tasks, like communication, coordination and control become easier when spatial differentiation is low; that is, when all the marketing and production take place in one location. Inversely, management can become more difficult if spatial differentiation is on a large scale. Spatial differentiation also considers distance and number; for example, if the distance between the locations of two geographical offices is not much, it is less complex, but when the distance is much- though in the same state, it is more complex.

Self-Assessment Exercise 1

1. Define complexity
2. Differentiate 3 types of complexities.

b. Horizontal differentiation

This is the differentiation of the units in an organisation due to diverse background and orientation of the members. The diversity may result from their education, training and the nature of the tasks which they perform. The larger the number of different occupational groups which require specialised knowledge and skill, the more difficult the coordination of the organisation will be.

However, if that organisation has staff members that have similar orientation/training, they are more likely to reason in similar ways, making their interaction and communication less difficult. There are other factors that reinforce differentiations; an example is job specialisation- an accountant is different from an electrical engineer. Their trainings, orientation and background differ, they do not have the same task and language registers; and also, they do not share the same department, which increases the gap in their orientation.

Specialisation is the grouping of activities performed by an individual in an organisation; it could be done in two different ways. These are functional specialisation and socialisation-specialisation.

Functional specialisation – in this case, jobs are broken down in simple and repetitive task. For instance, division of labour- a type of functional specialisation- induces higher suitability among employees, and facilitates their easy replacement.

Socialisation specialisation –this is done with the use of professionals whose job cannot follow routine process because of their skills- i.e. nuclear physicists do a specialised job, though their activities may vary, depending on the situation.

Increase in either form of specialisation will consequently result in increase in complexity within the organisation. This is because an increase in specialisation places a demand for more expensive and sophisticated system for coordination and control. For example, division of labour creates departmentalisation which is a grouping of specialists. This could be done on the basis of numbers, functions, product or service, chart, geography and

process. This will enhance efficiency, which will reflect in the reduction of time spent on changing tasks.

Self-Assessment Exercise 2

Discuss the factors that enhance horizontal differentiation.

c. Vertical differentiation

This deals with depth in structure; the level of structural hierarchy in an organisation increases differentiation. The larger the hierarchical structure of an organisation, the greater the risk of the distortion of communication. Also the decision-making process will be more complex; and the more difficult it will be for top management to oversee the actions of the operatives. Vertical differentiation is not independent of horizontal differentiation, but it tends to provide answer to increased horizontal differentiation.

Increase in expansion requires greater coordination of activities; high horizontal differentiation means that members will have diverse training and background. An organisation may have various departments that do different things. For instance, construction companies may have architects, heavy-duty equipment operators, masons, truck drivers, electrical engineers and so on. Somebody is bound to supervise these individuals to ensure that the work is done according to plan and time, resulting in the need for coordination which is indicative of vertical differentiation.

Self-Assessment Exercise 3

Explain the term vertical differentiation.

3.1.1 Span of Management

The number of subordinates a manager can effectively supervise can be wide or narrow. When it is wide, it means the manager will have quite a number of subordinates to control; but if the span is narrow, it means they are few.

Self-Assessment Exercise 4

Explain the term span of management

4.0 Conclusion

In this unit, it was pointed out to you that complexity is the extent to which differentiation is located in an organisation. This has serious impact on organisational effectiveness. The larger the number of different occupational groups which require specialised knowledge and skill, the more difficult the coordination, because of their diverse background and orientation.

Also the depth in the structure of the hierarchy of an organisation can make or mar effectiveness in the organisation. The more the levels, the greater the complexity. Finally, the dispersion of geographical location and other facilities constitute a key factor; when an organisation has many locations, it will be a little bit difficult to coordinate, in terms of personnel, plant, and offices.

5.0 Summary

In this unit, you have learnt that complexity has to do with the extent of differentiation in an organisation. It has also been made clear to you that spatial differentiation refers to how the personnel, manpower and other facilities in an organisation are dispersed geographically. Various aspects of differentiation were also considered. You are to note that all of these contribute to effectiveness in an organisation.

6.0 Self-Assessment Exercise

Identify and discuss various forms of job specialisation.

7.0 References/Further Reading

Ducker, Peter (1954). *The Practice of Management*. New York: Harper and Brothers.

Newman, William (1963). *Administrative Action*. Prentice-Hall Inc.

Stephen, Robbins (1987). *Organisation Theory: Structure, Design and Application*. Englewood Cliff New Jersey: Prentice-Hall.

Walker, Charles (1962). *Technology and Civilisation*. New York: McGraw-Hill Book Company Inc.

Unit 5 Structural Dimension of Organisation: Formalisation and Centralisation

1.0 Introduction

In the previous unit, you learnt about structural dimension of an organisation; the unit, particularly, considered complexity, which was noted as the differentiation found in an organisation. In this unit, you will be exposed to the concept of formalisation which is the extent to which rules- procedure; instruction and communication- are written and followed. In other words, organisation is standardised, and this imposes constraint on employees.

Also, in this unit we will look at centralisation which is the degree to which decision-making is concentrated at a single point in an organisation.

2.0 Objectives

At the end of this unit, you should be able to:

- explain the concept of formalisation in organisation
- identify formalisation technique
- describe centralisation
- evaluate the importance of centralisation
- state the relationship between complexity, formalisation and centralisation.

3.0 Main Content

3.1 Formalisation as a Concept

This refers to the degree of standardisation in an organisation. In organisations, where jobs are highly formalised, the employee has a minimum constraint on discretion over what is to be done or how he or she should do what has to be done. Since, output is consistent and uniform; employees will be expected to always handle the same input in exactly the same way. High formalisation in an organisation is consistent with rules, in terms of clearly defined procedure covering the process of work and clear job description.

Formalisation is a measure of standardisation. When standardisation is high, the input and the discretion of employees on how tasks are to be executed will be less, as well. Consequently, standardisation discourages employees from engaging in alternative behaviour, not even to think and consider the need for alternative. In some situations, the use of initiatives- on the part of workers is completely eroded.

Stephen Robbins sees formalisation as the extent to which rules, procedures, instructions and communication are written. From this definition, formalisation can be measured by determining if the organisation has policies and procedures for assessing the specificity of its

regulation. It can also be measured by reviewing job description to determine the extent of elaborateness, looking at other similar documents of the organisation.

3.1.1 Formalisation Techniques

There are various ways of achieving the standardisation of the behaviour of employees. The most important ones are considered below.

1. Selection

Organisations have a careful process of selecting prospective employees. This process is designed to ensure that efficient individuals who will make positive contributions to the organisation are selected. The process of selection includes getting applicants to fill application forms, conducting tests/interviews and background investigation. Each of these processes can help to eliminate individuals who are not compatible with the aspirations of the organisation.

Excellent selection process ensures that candidates fits into the organisation and will be willing to perform their duties satisfactorily. Most importantly, whether the recruitment process covers unskilled or professional employees or not, organisations use the selection process to screen out the candidates that are not fit for the organisation. Employees pick up an organisation's implied policies merely by observing the actions of members around them.

2. Training

Organisation provides training to employees. On-the-job training takes the form of allowing the employee to go through assignments, coaching and apprenticeship. Supervision is by a supervisor, who is expected to teach employees by imparting skills, knowledge and attitudes. Off-the-job training includes lectures, films demonstrations, simulation, exercises and programme instruction. Its essence is to shape the behaviours and attitudes of employees. This will also go a long way to make them compatible with their job schedule.

New employees are often required to undergo a brief orientation programme, during which they are exposed to the organisation's objectives, history, philosophy, policies, procedures and welfare packages. Sometimes, this is followed by a specific training; for example, if a new computer package is acquired in the organisation, it is necessary to train employees on how to use the package, effectively.

3. Role requirement

Every individual in an organisation has a role to play. Every job has its own expectations, in terms of core and functional competences. Job analysis indicates the jobs to be done and the required behaviour and attitude of the employee. Analysis develops and provides information from which job description is created.

When formalisation is high, the degree of role is explicit and well defined. Organisations having comprehensive job descriptions specify how a particular role is expected to be played. By loosening and tightening role expectations, organisations are actually loosening or tightening the degree of formalisation.

4. Rules, procedures, policies

Rule – this is an explicit statement that tells an employee what he or she ought not to do. Procedures are a series of interrelated sequential steps that employees follow to accomplish their job. Policies are guidelines put in place to shape the decisions and behaviours of employees. One obvious characteristic of rules is that they tell employees, explicitly, what they can do and how they are to do it. Rules leave no room for employees' discretion. They state a particular and specific required behavioural pattern.

Procedures- these are established to ensure standardisation of work processes. The same input is processed in the same way, and the output is the same, each day. Organisations develop ways in which individuals handle their task. For example, vouchers are often required to be completed as follows: use pre-printed voucher tags, put date at the top left corner, and write on appropriate account to be charged; check to ensure total account equals invoiced amount, put initials at the bottom right corner. These steps, according to Robbins (1987) follow a specific standardised sequence that results in a uniform output.

Policies- these provide greater leeway than rules. Policies allow Policies employees, to use discretion but within limited boundaries, instead of the dos and don'ts in the organisation. Though polices may not specify, exactly, what is to be done, but it provides parameters for decisions to be made. It is to be noted that polices need not be written to control discretion.

Self-Assessment Exercise 1

Identify and explain formalisation techniques.

3.2 Centralisation

This refers to the degree to which decision-making is concentrated at a single point in the organisation. A high concentration implies high centralisation whereas low concentration, indicates low centralisation, which is called decentralisation. Centralisation can be described, more specifically, as the degree to which formal authority to take decisions is concentrated in an individual, unit or level (usually, in an organisation); thus permitting employees (usually, of lower cadre) minimum input in their work.

The followings are at the core of centralisation.

- Centralisation is concerned only with formal structure not informal organisation; it applies only to formal authority.
- Centralisation looks at discretion in decision-making. Where there is delegation of authority, and there is an extensive policy in existence to constrain the use of discretion by lower-level members, there is increased centralisation.
- Concentration at a single point can relate to an individual, unit, or level, but single point implies centralisation at a high level.

Self-Assessment Exercise 2

Explain the term centralisation.

3.3 Importance of Centralisation

An organisation is made up of people, who constitute themselves into a decision-making and information processing system. Organisations facilitate the attainment of goals, and this is done through coordination of group effort. Decision-making and information processing are central for coordination to take place. Managers are limited in their ability to give attention to the data they receive and process. Further information after this limit, may lead to information overload, and at this level, the manager's capacity is exceeded. To avoid this, decision-making could be dispersed, resulting in decentralisation.

Decentralisation also is necessary because it helps the organisation to respond rapidly to changing conditions at the point at which the change is taking pace. Decentralisation facilitates speedy action, because it avoids the need to process the information through vertical hierarchy. It can be acted upon by those close to the issue. This explains why marketing activities tend to be decentralised. Marketing personnel must be able to react quickly to the needs of the customers because of competitors.

It also provides detailed input into the decision-making process. Decentralisation of decision-making can be a sort of motivation to employees by allowing them to participate in the decision-making process. Professional and skilled employees are particularly sensitive to having a say in decisions that affect how they do their job. Decentralisation creates training opportunities for low-level managers. By delegating authority, top management permit less experienced managers to learn by doing, by making decision where impact is less critical, low-level managers get decision-making experience with potential for minimum damage.

Self-Assessment Exercise 3

What are the advantages and disadvantages of decentralisation?

4.0 Conclusion

In this unit, it has been made clear to you that high formalisation in an organisation is consistent with rules, clearly defined work procedures and job description. Formalisation also constitutes a measure of standardisation; this places limitation on the discretion of the employees.

5.0 Summary

In this unit, you have been exposed to formalisation- which has to do with the degree of standardisation in an organisation. Formalisation has various techniques which include selection, training, role playing among others. Also, the unit has taken you through the nitty-gritty of centralisation and decentralisation in an organisation.

6.0 Self-Assessment Exercises

Identify and discuss techniques of formalization

7.0 References/Further Reading

Drucker, Peter (1954). The *Practice of Management*. New York: Harper and Brothers.

NewMann, William (1963). *Administrative Action*. Englewood Cliff: Prentice-Hall Inc.

Stephen, Robbins (1987). *Organisation Theory: Structure, Design and Application*. Englewood Cliff, New Jersey: Prentice Hall.

Walker, Charles (1962). *Technology and Civilisation*. New York: McGraw Hill Book Company Inc.