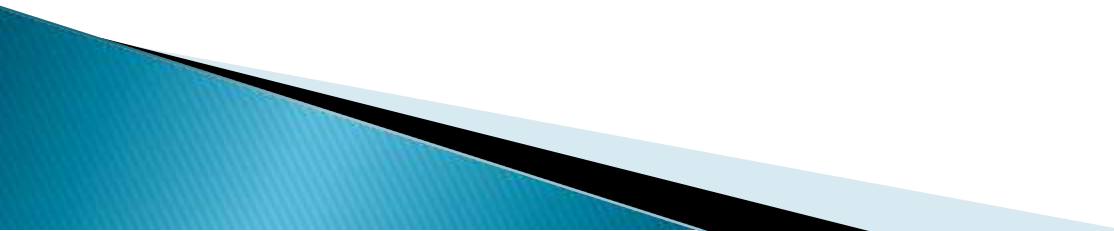
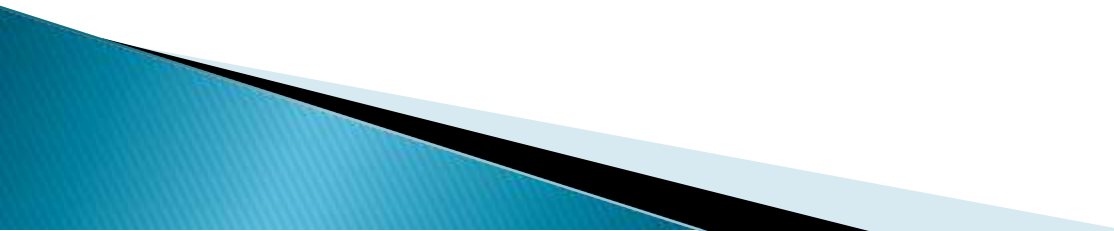


Organizational Architecture

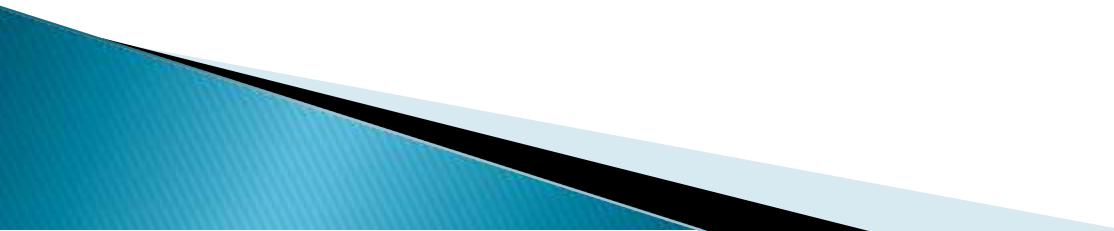
UNIT - 5

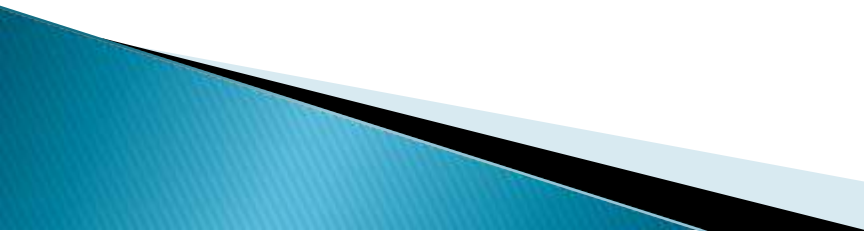


Learning Outcomes

- ▶ Meaning and concept of organizational structure and architecture, elements of organizational architecture,
 - ▶ Designing structure: vertical differentiation (Tall Vs. Flat),
 - ▶ Horizontal differentiation (Functional, multidivisional, geographical and matrix),
 - ▶ Integrating mechanisms (formal knowledge network and strategy, coordination and integrating mechanisms),
 - ▶ Definition and source of authority, responsibility and accountability
 - ▶ Creating accountability in business organizations,
 - ▶ Emerging issues in organization design and architecture,
 - ▶ Nepalese practices in organizational structure.
- 

Organizational Architecture

- ❖ It is the sum total of organizational structure, control system, reward system, culture and employees working in an organization.
 - ❖ It is concerned with division of work, forming management hierarchy, delegation of authority and responsibility.
 - ❖ It should support the strategy and functioning of the organization.
- 

- ▶ Architecture, in simple meaning, is the set of designs of any construction.
 - ▶ By combining the architectures and the organization, organizational architecture is meant as the organizational structural design formulated to deliver the organizational functions with formal division of responsibilities and authority.
 - ▶ Organization architecture, thus, refers to the totality of a firm's organization, including formal organization structure, control systems, incentive systems, organizational culture, and people.
 - ▶ In broad sense, it has two differentiating meanings as organization's built environment and architecture metaphoric.
- 

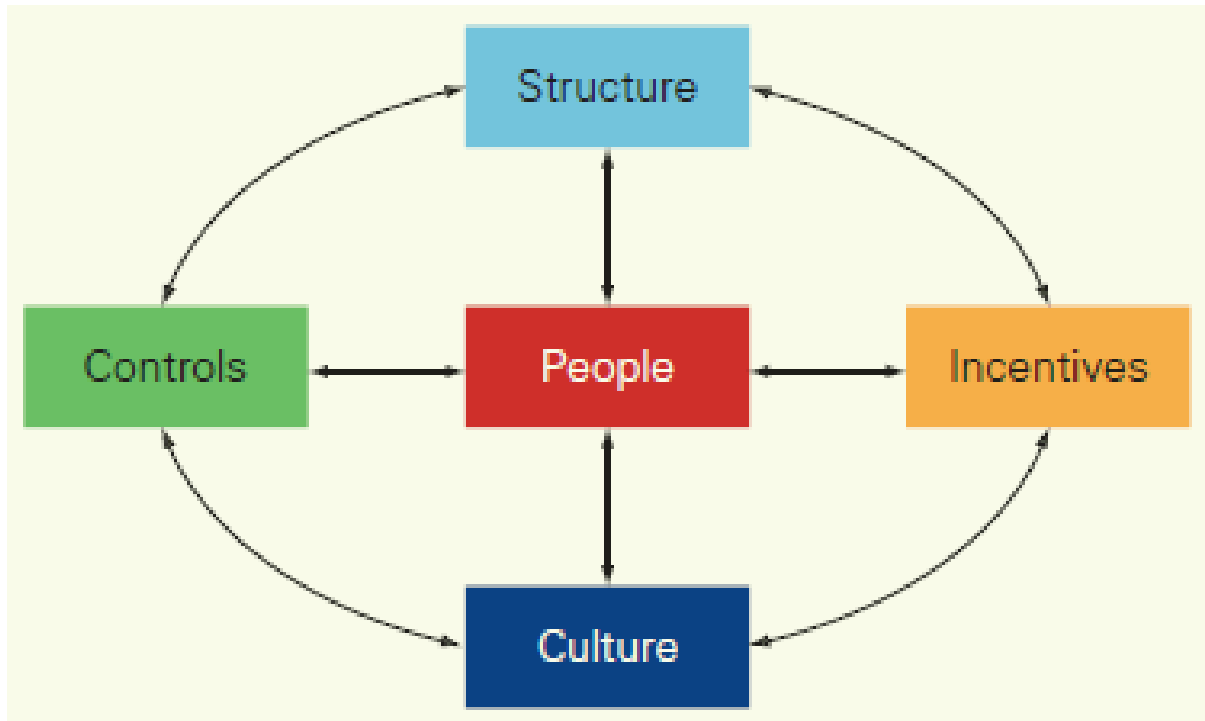
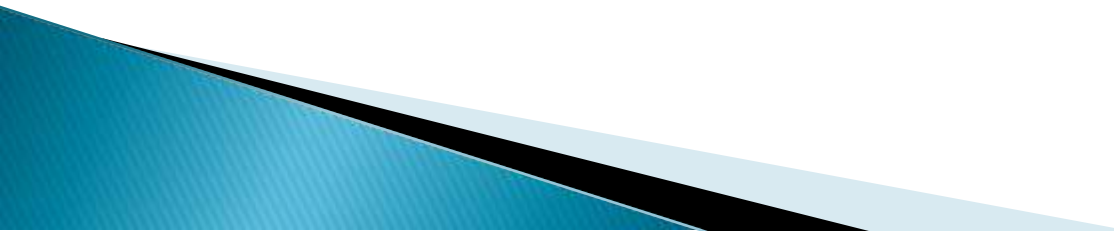


Fig * Elements of Organizational Architecture

Designing Structure

Vertical Differentiation	Horizontal Differentiation
1. Tall Structure	1. Functional Structure
	2. Multidivisional Structure
2. Flat Structure	3. Geographic Structure
	4. Matrix Structure

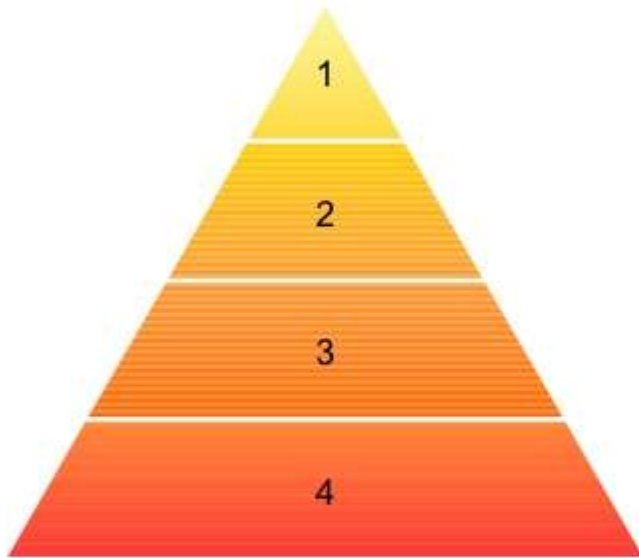
Vertical Differentiation

- ❖ It refers to the location of decision making authority within a structure i.e. centralization or decentralization.
 - ❖ It also involves number of layers in management hierarchy i.e. tall or flat.
- 

Tall Versus Flat Hierarchies

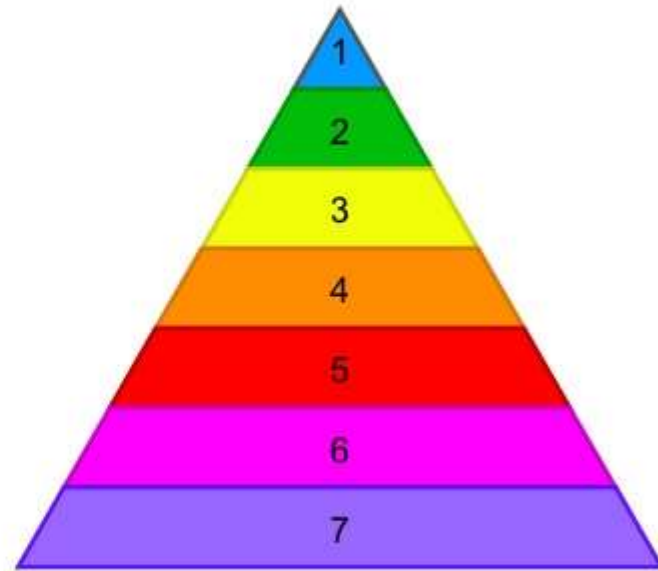
Tall Structure/ Hierarchy	Flat Structure/ Hierarchy
1. It has centralized authority.	1.. It has high level of decentralization.
2. Narrow span of control and wide division of work.	2. There is wide span of control.
3. There is extended communication line from top to lower level of management.	3. There are more functional departments.
4. There is unity of command and wide distance from top level to bottom level.	4. There is close and personal supervision of top level of management to each department.

FLAT



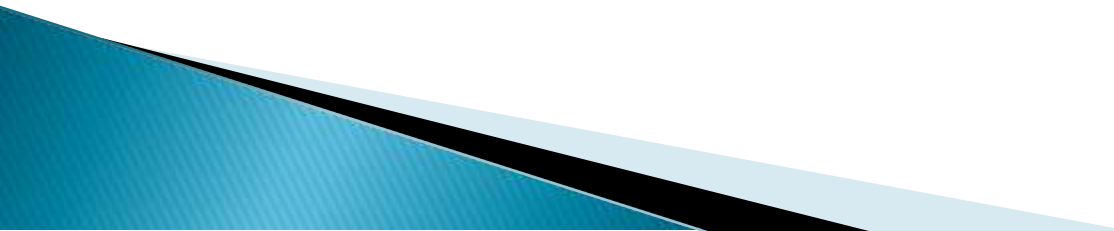
**Span of Management 8:1
(Four Levels)**

TALL

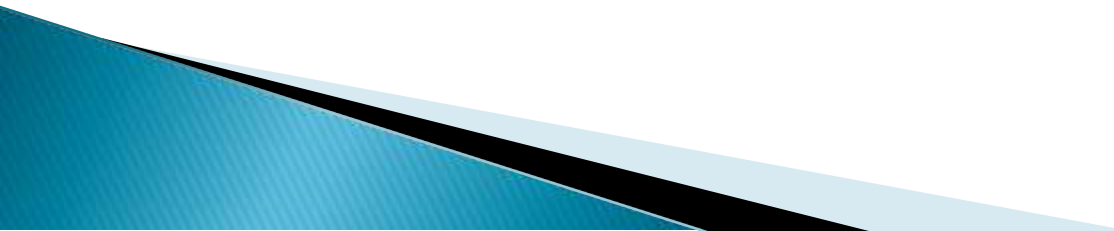


**Span of Management 5:1
(Seven Levels)**

Horizontal Differentiation

- ❖ It is concerned with dividing organization into sub-units on the basis of convenience.
 - ❖ It is concerned with the formation of different departments on different basis such as functional structure, multi- divisional structure, geographical structure and matrix structure.
- 

1. Functional Structure

- ❖ Specialization by functions
 - ❖ Focus on unit goals
 - ❖ Line- staff division
 - ❖ Functional relationship
 - ❖ Limited span of management
- 

CEO

```
graph TD; CEO[CEO] --- production[production]; CEO --- marketing[marketing]; CEO --- sales[sales]; production --- ArnoldS[Arnold S.]; production --- TerryC[Terry C.]; marketing --- MichelleR[Michelle R.]; marketing --- MillaJ[Milla J.]; sales --- JasonS[Jason S.]; sales --- BruceW[Bruce W.]
```

production

Arnold S.

Terry C.

marketing

Michelle R.

Milla J.

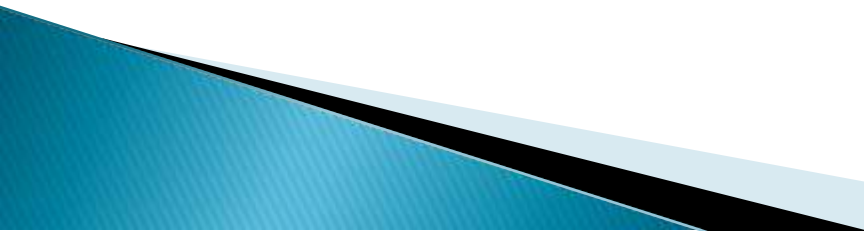
sales

Jason S.

Bruce W.

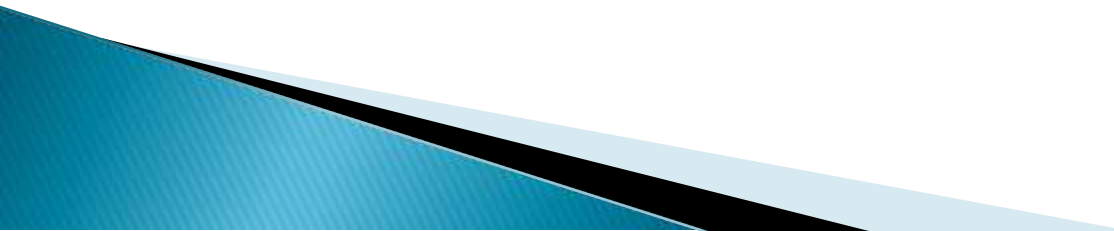
Advantages	Disadvantages
Benefits of specialization	Multiple command system
Increases efficiency	Lack of co- ordination
Healthy competition among experts	High administrative cost
Relief to executives	Delay in decision making
Mass production	Spoils human relation
Facilitate growth and expansion	Narrow outlook of specialists
Suitable for present environment	Shifting responsibility

2. Multi- divisional Structure

- ❖ It is based on multiple businesses operating within a larger organizational framework.
 - ❖ It is specially used by the business firms that are involved in the production of various lines of products or services in various locations.
 - ❖ A separate division is formed for a product line or service and all functions like production, finance, marketing and personnel, etc. of one division are brought together under the concerned division.
- 

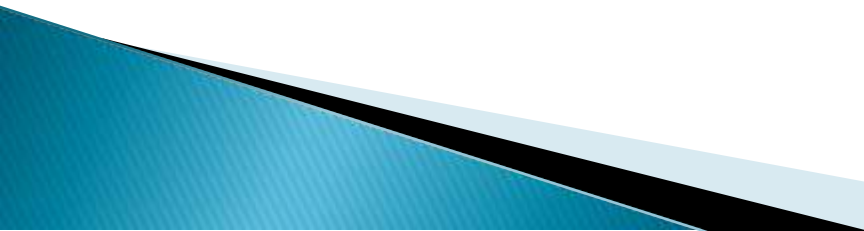
Advantages	Disadvantages
Suitable	Source of conflict
Facilitates specialization	Under utilization of capacity
Maintain direct attention	Problem for effective control
Effective monitor and evaluation	Maximize administrative cost
Accountable divisional managers	Difficulty in coordination
Optimum use of resources	More interdependency
Efficiency integration	Ignore common goals

3. Geographic Structure

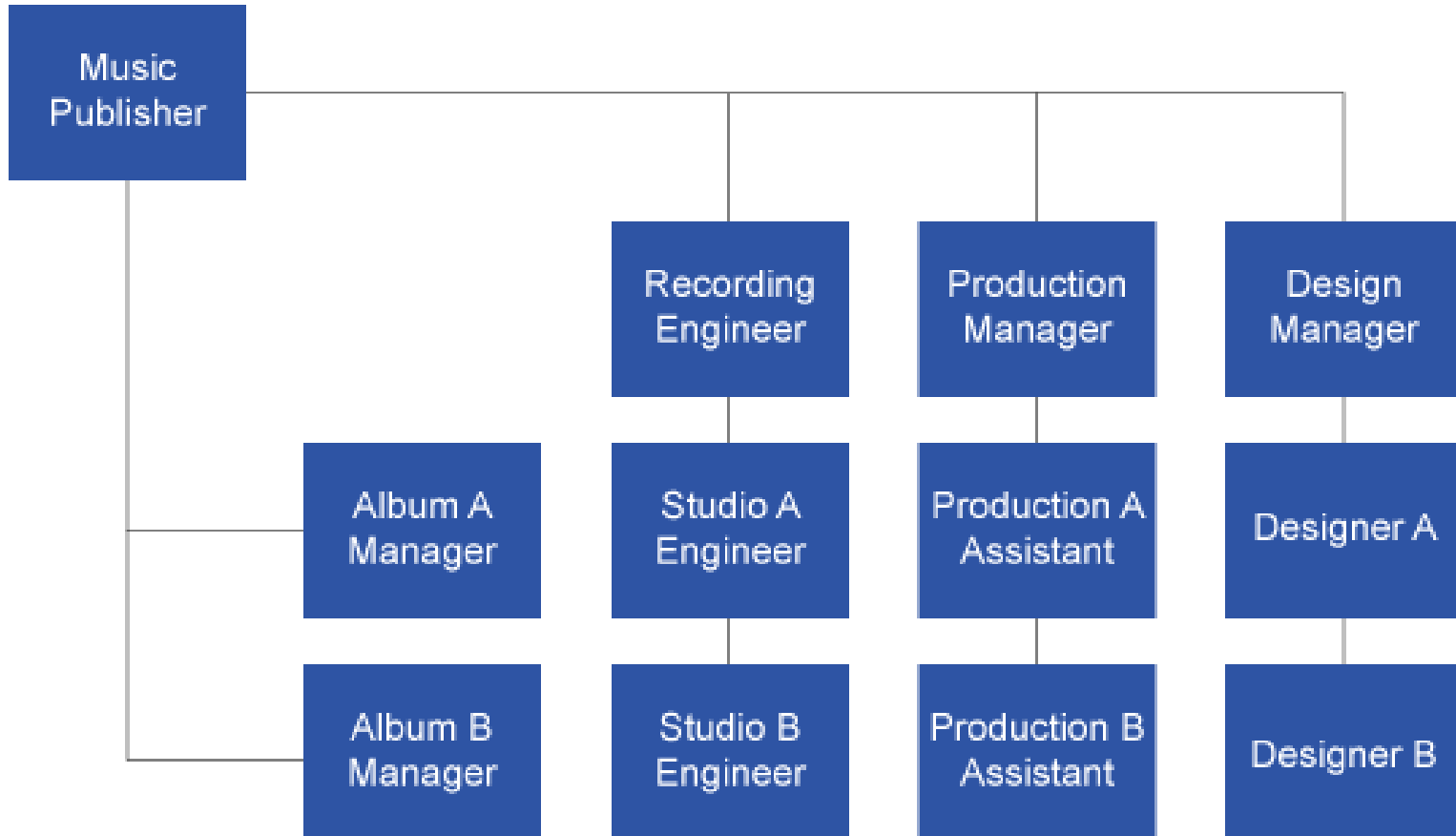
- ❖ All activities of specified territory are assigned to a particular department or regional manager.
 - ❖ It is appropriate for large- scale enterprises which are geographically spread out in many locations inside and outside the country.
 - ❖ Activities are grouped into regions, zones, district, branches, etc. and are assigned to a particular department or regional manager.
- 

Advantages	Disadvantages
Local operations	Problem of integration
Expansion of business	Possibility of duplication
Environmental change	Difficult to maintain central control
Better co- ordination	Lack of efficient people
Meet local demands	Cost of departmentalization

4. Matrix Structure

- ❖ It is a special type of problem solving form of an organization formed to complete various types of projects of specific and unique nature.
 - ❖ A major project is assigned to the project manager and he is given a team of specialists from different functional departments.
 - ❖ It integrates the efforts of functional and project authority.
 - ❖ It is also known as project management structure.
- 

Example Matrix Organizational Chart



Advantages	Disadvantages
Better coordination and control	Violation of unity of command
Adaptable to dynamic environment	Costly structure
Maximum use of resources	Problem of over- specialization
Participative management	Difficult to balance
Sufficient time to top management	Feeling of insecurity
Excellence in interdisciplinary specialization	Lack of wide coordination
Development of teamwork	Lack of commitment

Integrating Mechanisms

- ❖ Formal Integrating Mechanisms
 - ❖ Centralization
 - ❖ Direct contact
 - ❖ Liaison roles
 - ❖ Teams
 - ❖ Matrix structure
- ❖ Informal Integrating Mechanisms: Knowledge Networks

Formal Integrating Mechanisms

❑ Centralization

Since one individual or the top management centralizes authority, makes decisions and provides direction to the organization under centralization, the need of coordination is low.

❑ Direct contact

The managers of the various subunits just contact each other to deal with their common concern. It may not be effective due to diverse orientations or concern of the managers. It is ineffective in functional silos (teams of employees, grouped by functions that operate separately from each other without collaboration).

❑ Liaison roles

A person in each subunit is assigned to coordinate with another subunit and establish a permanent relationship between the units and subunits.

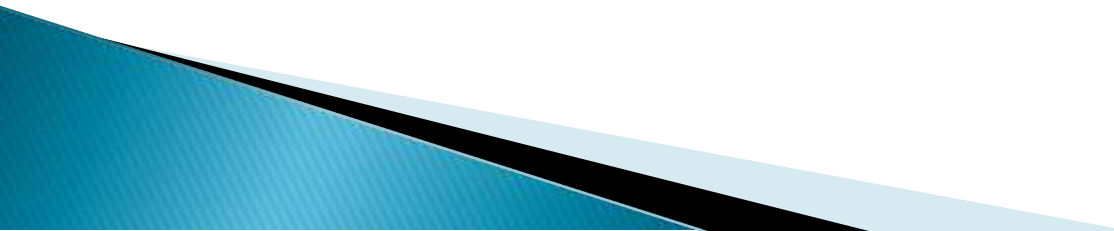
❑ Teams

Temporary or permanent groups may be formed if the need for coordination is greater.

❑ Matrix structure

When the need for integration is very high, firms may go for a matrix structure, in which all roles are viewed as integrating roles.

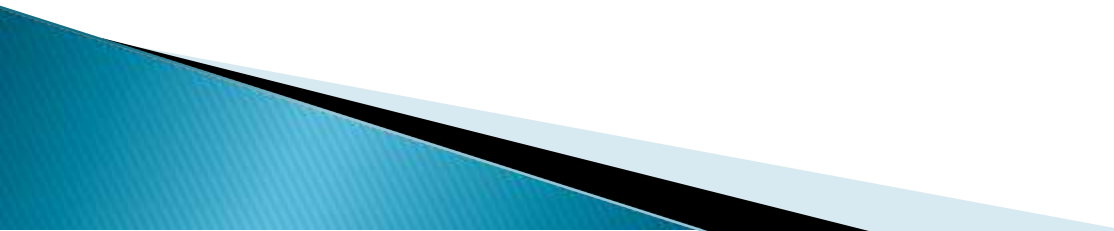
Informal Integrating Mechanisms: Knowledge Networks

- ❖ A knowledge network is a network for transmitting information within an organization that is based not on formal organization structure, but on informal contacts between managers within an enterprise and on distributed information systems.
 - ❖ The success of knowledge networks largely depends on the organizational culture that promotes teamwork and cooperation.
- 

Strategy, Coordination and Integrating Mechanisms

- ❖ Coordination between subunits is required in all types of firms, whether those subunits are functions, businesses, or geographic areas.

Responsibility

- ❖ It refers to the obligation to perform the given work to the best of ability and knowledge.
 - ❖ It is not only duty, but an obligation to complete the assigned task efficiently.
 - ❖ It follows authority and arises from superior-subordinate relationship.
 - ❖ It is static and absolute and can never be delegated to others.
 - ❖ It proceeds upward from subordinates to superiors.
- 

Establishing Task and Reporting Responsibility

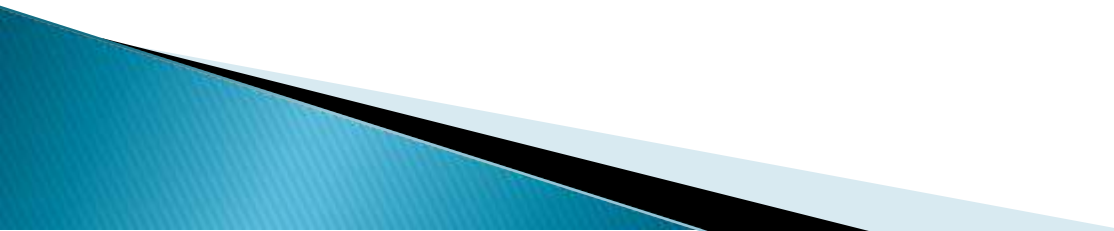
Elements to consider while establishing effective task and reporting relationship:

- ❖ Chain of command
- ❖ Span of management
- ❖ Formation of organizational design
- ❖ Tall organization
- ❖ Flat organization

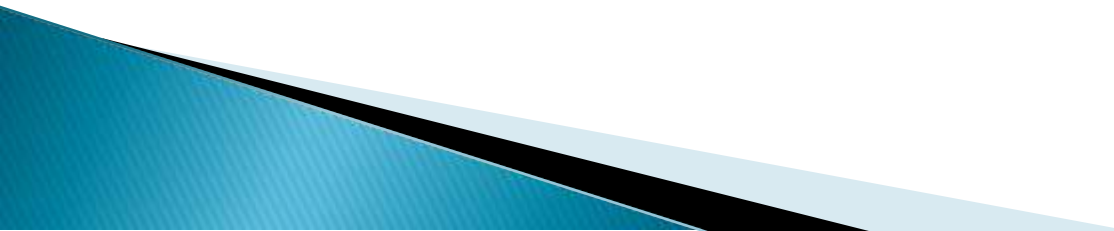
**DIRECT/ SOLID- LINE REPORTING &
INDIRECT/ DOTTED LINE REPORTING**



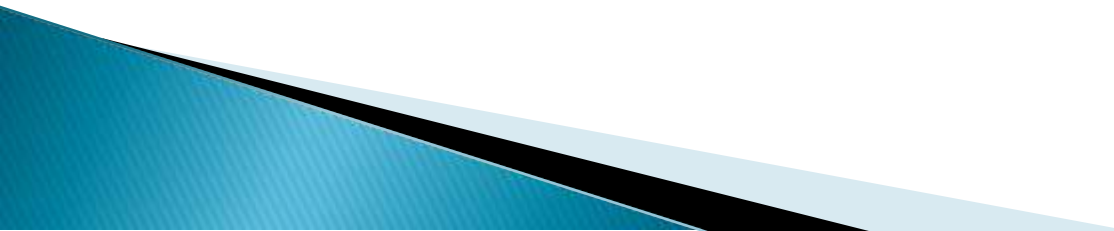
Accountability

- ❖ It is the obligation of a subordinate to report back to his superior about the job entrusted to him and that has been completed.
 - ❖ It is the obligation of an individual to formally report to his superior about the work he has done to discharge the responsibility.
 - ❖ The achievement of accountability depends on the extent of authority.
- 

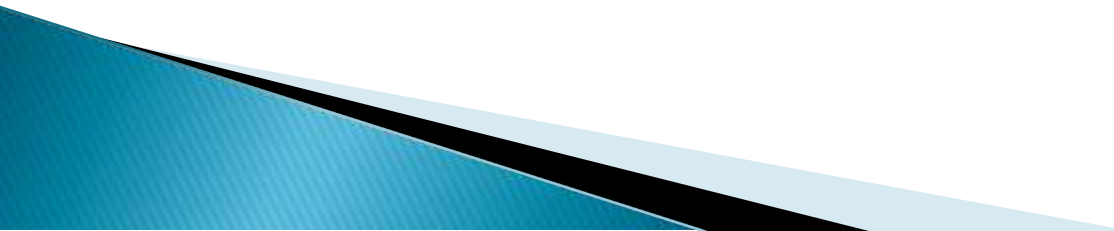
Creating Accountability

- Establishment of organizational objectives
 - Assignment of jobs and roles
 - Making enquiry about employees' need
 - Provide resources and guidance
 - Share learning for teamwork
- 

Authority

- ❖ It is the right vested in a managerial position.
 - ❖ It is the right to take decisions and use resources to achieve organizational goals.
 - ❖ It is hierarchical in nature and defines superior-subordinate relationship.
 - ❖ It is the means to managerial jobs.
 - ❖ Managers need to consider legal, social and organizational limitations for using authority.
- 

Characteristics of Authority

- ❖ Legal or institutional
 - ❖ Has limit
 - ❖ Normally in writing
 - ❖ Commensurate with responsibility
 - ❖ Centralized or decentralized
 - ❖ Given to position
- 

Types of Authority

❑ Line Authority

It gives the right to direct the work of subordinates and make decisions without consulting others. There is a chain of command from upper level to subordinate level in hierarchy.

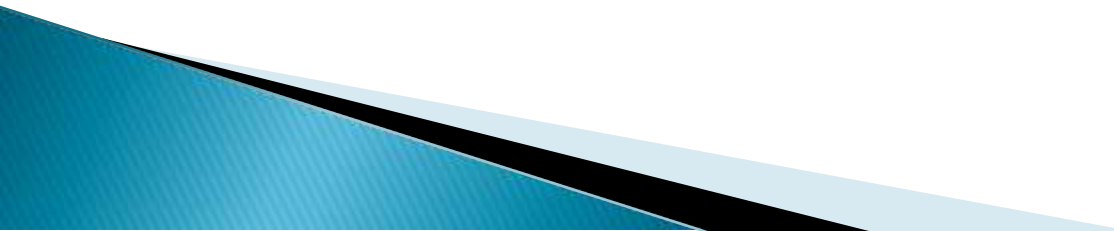
❑ Staff Authority

It is responsible for providing advice and suggestion to line authority. They are expert in their area of performance.

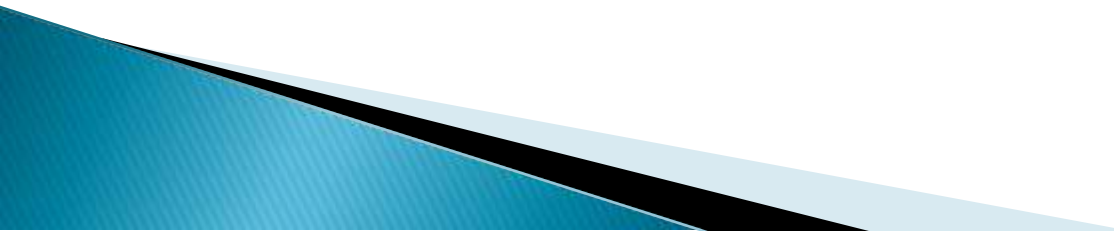
❑ Functional Authority

It has limited line of authority and gives power to staff assistants over a particular function.

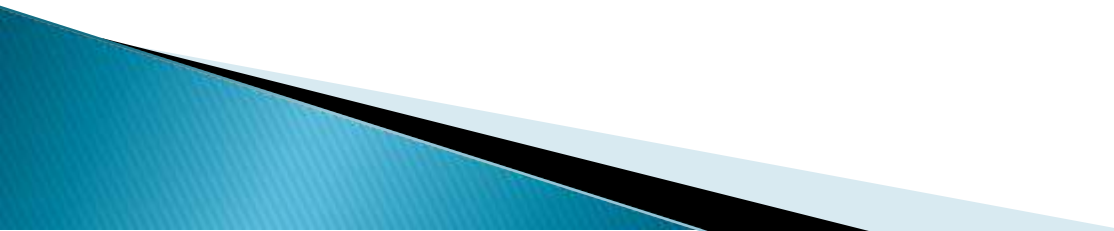
Delegation of Authority

- ❖ It is the process by which managers assign a portion of their total workload to others.
 - ❖ It is the process of assigning work to subordinates and giving them necessary authority to do the assigned work.
 - ❖ It means granting of authority to subordinates to operate within the prescribed limits.
 - ❖ It is developed due to the increase in the size of business and its complexity.
- 

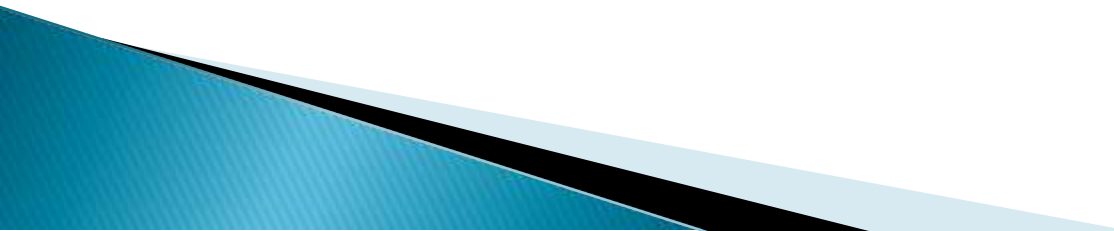
Advantages of Delegation of Authority

- Minimize workload of managers
 - Benefit of specialization
 - Motivation and morale
 - Training and development
 - Facilitates growth and expansion
 - Quicker and better decision
 - Basis of organizing
- 

Barriers of Delegation of Authority

- Reluctant to delegate
 - Fear of losing importance
 - Loss of control
 - Mutual distrust
 - Fear of subordinates
 - Incompetent subordinates
 - Lack of motivation
 - Authoritarian tendency
- 

Eliminating obstacles to the Delegation Process

- Understand the need and objective for delegation
 - Develop confidence and motivation in subordinates
 - Develop effective communication
 - Choose right person for the right job
 - Clarify tasks through training
 - Create balance of authority and responsibility
- 

Steps of Delegation of Authority

Step 1: Determination of need for delegation

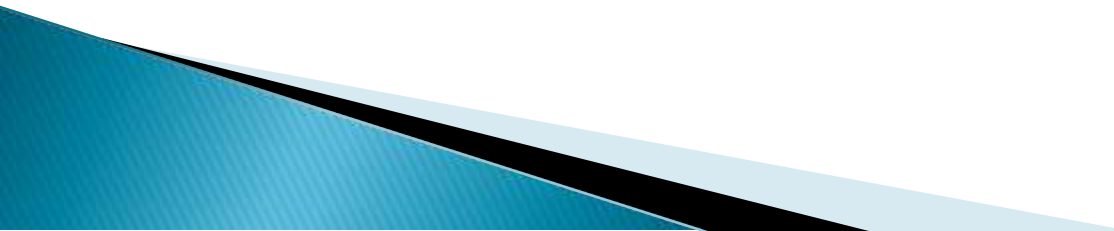
Step 2: Assignment of responsibility

Step 3: Granting of authority

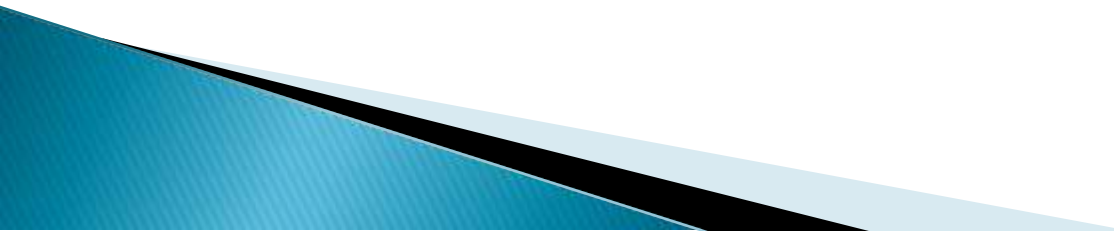
Step 4: Creation of accountability

Step 5: Evaluation of performance

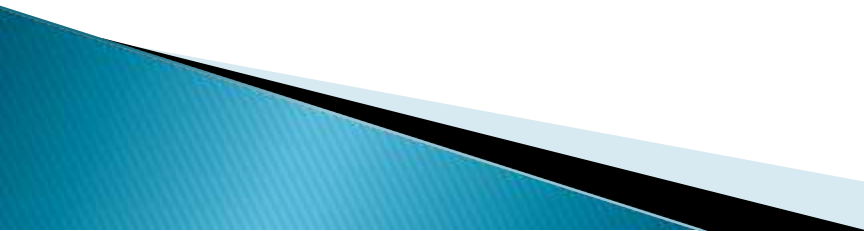
Sources of Authority, Responsibility & Accountability

- Legal or institutional
 - Centralization vs. decentralization
 - Position
 - Superior-subordinate relationship
 - Tradition
- 

Emerging issues in Organization Design and Architecture

- ❖ Teamwork
 - ❖ Network structure
 - ❖ Decentralization
 - ❖ Organic organization
 - ❖ Restructuring and reengineering
 - ❖ Boundary less organization
 - ❖ Learning organizations
- 

Nepalese practices in organizational structure

- ❖ Practicing governance in structure
 - ❖ Purpose, policy and strategy-driven practices
 - ❖ Organizational culture and practices
 - ❖ Internal practices aligned to core culture
 - ❖ External practices aligned to the core culture
 - ❖ Organizational structure
 - ❖ Authority delegation and responsibility
 - ❖ Autonomy for planning and decision making
- 

Thank
you