ORGANISATION THEORY

UNIT 1: Nature, Concept & Environment of organizations.

Unit 1 Questions (Nature, Concept & Environment of Organiations) Year wise Marks
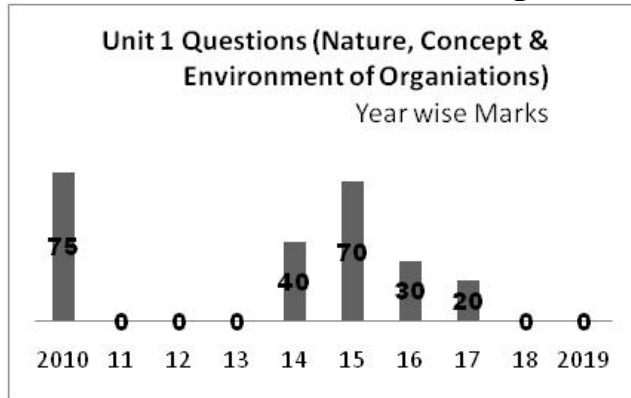
SHORT NOTES ASKED (10 MARKS EACH, 200 WORDS):

1984: Simon-March approach to organization.
Hint- Write Carnegie model of decision making and goal setting
1995: Features of organisation
1996: Significance of Organisation.
2015: VUCA World

Long Answer Questions:

2005: (Year of extra-ordinarily tuff questions due to highest success of commerce in 2004.)

1. "Business is simply a form of human competition, greatly resembling war." Do you agree with this statement ? Could there be any difference between a war organization and a business organization? Answer with examples.   **20**

Answer: covered directly by notes.

2. Analyse the organization of a private engineering college from sociological and social – psychological viewpoints.   **20**

Answer: Not advised. Highly impractical question. **Out of syllabus now.**

2010: In what ways Information Technology has <mark>forced</mark> and <mark>influenced</mark> many organisations to <mark>restructure themselves</mark>? Explain with suitable examples. 20

Answer: IT consists of computer hardware and software, operating systems, broad-band, web-based information and applications, telephones and other telecommunications devices.

IT has affected organisations **directly** and **significantly**; both **products** and <u>way</u> of doing work. IT has been sources of Opportunities Challenges and Threats. IT has forced, enabled and influenced organisations to restructure business model, organisation goals, structure and culture. It can be illustrated as follows:

- **Going local to global** such as sellers at Amazon. Getting ready for *anytime-any-where* working.
- **Adoption of global standards** of products, process and serve better by working closely with stakeholders. It requires greater emphasis on innovations and research.
- **Empowerment** of people to tap their potential. It has resulted into **flatter** and **lean** structures.
- **Networking and outsourcing** business requirements to tap global market of demand and supply.
- **Redesigning** vertical and horizontal authority system to enable boundary-less information flow and utilization. Information generated at one point is used all-over the organisaiton.
- **Risk management** and business continuity planning to protect against IT risk.
- **New work culture** that emphasizes quick flow of information, faster decision making, professionalism, value and regard of talent, participative decision making etc.
- **Creation** of new jobs like Chief Digital Officer. Now IT is replacing people such as chatbots, robots.
- **Refining authority-** now it is more skill and based less status based.

We see restructuring of existing organisations like banks, insurance companies and emergence of new one like Amazon, Flipkart, Chroma, Paytm with different business models and designs.

3. (a) "Organisation is not a single entity but a managed configuration of different parts.- Discuss the **relevance of the statement** using the framework of organisation structure proposed by **Mintzberg.**   **20**

Answer: Traditionaly organisations have been seen as one unified entity woven into one structure and culture, as depicted below:

Henry Mintzberg advocated a more **comprehenve and realistic** view and opened that there exist vairety of work practices and structures within an organisation. There are five differnet parts as depicted below:
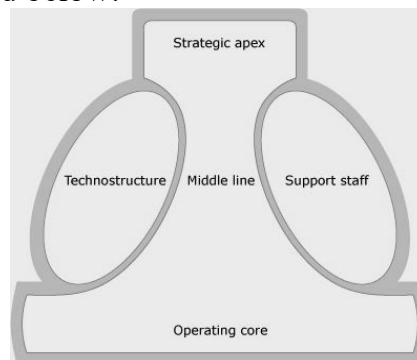
Though all the parts work for any common goal, but their approach and focus may differ, as described below:

- **Strategic apex** or owners, CEOs, GMS that emphasis simple structure, low/no standardisation, direct supersion, enterprenuership and centralisation of authority.
- **Middle Line of managers** emphasis standardisation of their respective outputs & domains, prefer decentralisaiton, unique structure for their respective products/domains.
- **Operating Core** emphasise standardisation of skills, professional way of working, prefer self-control over thieir work. It is dominated by skilled and knowledge workers. They produce main goods & services.

Above three parts constitute basic structure. To improve its functioning two more parts work as described **below:**

- **Techo-structure** or technical staff that assume responsibility of high degree of **standardisaion** of work process for efficient resource use. They guide, monitor and measure performance. They apply analytic techniques to design and maintain structure and adapt organization with environment. They include Architects, Engineers, Accountants etc.
- **Support staff-** they provide specialised services like food service, legal counsels, transportation etc. They adjust with all parts of organisation. Hence they are adaptive and innovative.

Coordinated working: By providing different services in their domains these parts help achieve organisational goals. They coordinate with the help of both formal and informal mechanism as depicted and described below:
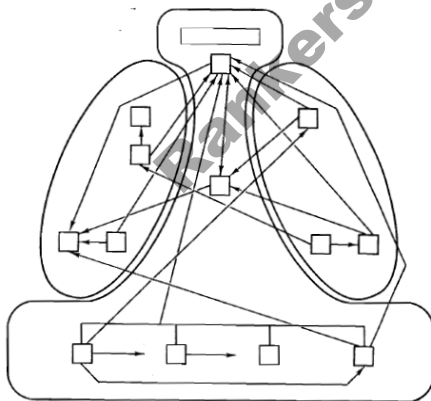
- **Direct supervision** of subordinate individuals
- **Standardization** of work processes, of outputs, of skills.
- **Mutual adjustment**: by communicating informally with each other.

3 (b) Miles and Snow had classified organisations into four types **depending on the strategy of each organisation**. What should be the features of the corresponding organisational design?   **20**

Answer: Miles and Snow argued that different company **strategies and organisational designs** arise from the way companies decide to address three fundamental problems: entrepreneurial, engineering (or operational), and administrative problems.

In their research they found and postulated **four general strategic types of organizations.** These four kinds of organisations, their strategies to address above problems and resultant features of organisation designs are as follows:

Kind of Organisation	Focus & General Strategies applied	Resultant features of Organisation Design

No single strategic orientation is the best. Each one(except reactor) can position a company so that it can respond and adapt to its environment, technology and structure.

2014: 2. (a) "Organization is the human group deliberately and consciously created for the attainment of certain goals with rational coordination of closely relevant activities". In the light of this statement, discuss the distinguishing **features** of an organization.   **20**

Answer: Given OT notes chapter 1.

2015: Q2. (a) "Competitiveness of Indian industry is directly linked with **digitization** initiatives." Identify the issues involved and implication of this statement.   **20**

Answer: (Whole answer written as per 2015 status of Indian Industry)

Digitalization is the use of digital technologies to improve/change a business model and provide goods & Services. Such as online processing of loan application, smartphone controlled computers and machines. Today, it is buzzword and happening at fast pace.

Digitization is sans national boundaries. Indian Industry works in globalized world. Global counter-parts are digiting at faster pace. Hence Indian Industry has to take steps to digitize both products(to the extent feasible) and process/operations.

Digitization can help improve resource utilization, stakeholder satisfaction, transparency & market share; reduce costs, minimize human efforts, errors & waste and thereby competitiveness of Industry. As per Mc Kinsey study digitization of

information-intensive processes can reduce costs by up to 90 percent. Initial loan processing time can be reduced form days to minutes.

　　　Successful companies are reinventing processes, challenging everything related to an existing process and rebuilding it using cutting-edge digital technology.

　　　For **example** digitization of entertainment, online and self-service of prepaid mobile connection, real time update of order status at Amazon, Inventory level management, online bank services etc.

Issues before Indian Industry:
1. **Shortage** of digital skills. It is global problem.
2. **Employee resistance**. They fear job loss and burden of training for new technology.
3. **Traditional managerial mind-set** is big hurdle. They fear challenge to their status and authority.
4. **Budget constraints** as digitization requires major change in what is produced and how it is produced and supplied.
5. **Lack of** good leadership that can plan and put forward the digital initiatives.
6. **Poor** digital penetration and literacy among masses.
7. **Lack of digital ecology** such as faster broad-band, poor digitization of supporting organisations and govt agencies.
8. **Foreign companies** not sharing cutting-edge digital technologies etc.

Implications:

　　　Digital is becoming reality. No organisation can survive for long without some minimum degree of digitization. Organisations like Tata Group are digitizing operations like TATA power for communication with consumers, formation of CLiQ, Launch of Jio, emergence of education startups etc. Organizations that fail digitization will fail in business. Digitization need to be organisation vide, industry-wide, faster and with human face.

Q2. (b) "Since **liberalization** there has been continuous pressure on the functioning of regulatory agencies which monitor India business organizations." Evaluate this statement and suggest remedial measures to enhance their effectiveness.　　　**20**

Hint:
- **Name of regulatory agencies dealing with economic system and business organisations: RBI, SEBI, IRDA, TRAI.**
- **Various environmental pressures on these agencies: technological, global, competitive, law and order etc.**
- **Write need for changing goals, strategy, structure and culture of working.**

Q 3(a) According to **Henry Mintzberg,** how does the power dynamics between various parts of the organization, result in different structural forms of organization? What are these structural forms, and how do they affect organizational effectiveness? **20**

Hint: See Mintzberg model as discussed earlier in this chapter.

2016: 2.(a) "**Organisations are collectivities** of people that have been established for the pursuit of relatively specific objectives on a more or less on continuous basis". Elucidate **20**

Hint: Elaborate definition of organisation as given by WR Scott. Chapter 1 in OT book

2016: "**Political and legal environment** works both as a promoting and as a restraining force in business operations". Examine this statement.
10

Hint: Direct answer in OT book chapter 1

2017: <u>**Organizational environment**</u> **decides the success or failure of an enterprise. Do you agree? Give arguments in support of your answer. 20**

Answer: Organisational Environment includes those socio-economic, political, technological etc. forces that affect resource acquisition and functioning of organisations.

Since environment is source of **Opportunities, challenges and threats,** thereby it decides success or failure of any enterprise. Companies like NOKIA failed due to technological disruptions during past two decades. Compaq could not sustain for long. Hindustan Motors shut its doors due to new wave of automobiles. LG has shut down smartphone business.

Covid has provided success opportunity to IT industry at large. Indian businesses are growing due to globalized world.

Environmental impact is undeniable. But this impact is **manageable, even it can be lead**. Companies like Microsoft are leading environment with strategic planning. HDFC banks is leader. These organisations have focused on innovations, creativity and responsiveness.

Through continuous environmental scanning, strategic planning, continuous innovations, customer orientation and responsiveness, failure can be prevented/delayed. Companies like Apple has put systems in place to continue for long.

Organisations need dynamic goals and design. Structural inertia must be prevented. 'Newness' should be an opportunity, not liability.

Broad and long-range thinking can make organisation a success such as TATA Group. Survival of the fittest applies equally to business organisations.

Really organizational success is an evolutionary term. It is essential to learn and respond environmental demands faster. **Success-growth- downturn-Failure- reforms-success** is business reality. Security forces facing terrorist threats and coming out winner is quotable here.

No organisation can take environment for granted, else competitive and changing environment gifts failure and snatches success.

UNIT : 2
Organisation goals - primary and secondary goals, single and
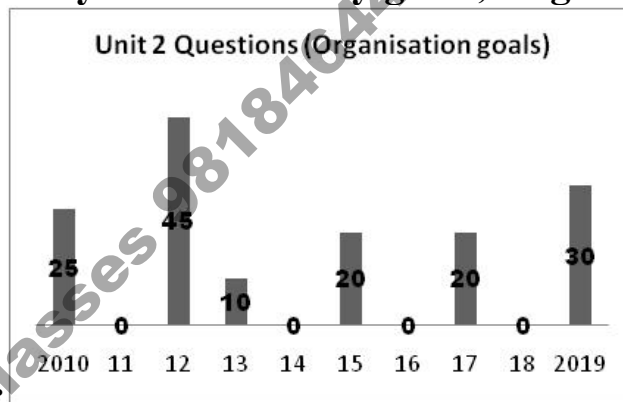
multiple goals; MBO:

SHORT NOTES ASKED
(10 marks each, 150 words each) :

2020: Problems of Management by Objectives (MBO)
- Define MBO   10-15 words
- Problems   100 words
- Benefits + how to overcome problems   30 words

2019: Goal Succession
- Define
- Example
- Factors behind
- Need & advantages
- Successful & failure stories
- Challenges in succession

2015: Psychological Contract

- Formal job contract
- Emotional bond about mutual respect, duties, compassion, cooperation
- Requirements- from both sides
- Need & Advantages
- Harm in case of breach + example.

2012: Dominant coalition in   organisations and its importance.

- Modern organisations are coalitions of different interest groups.
- All groups not equally usefull an powerfull such as shareholers more powerfull in companies, teachers more powerfull in college.
- Goal setting process and role of dominant coalition partner.
- Dynamic process.

2009: Bounded rationality

- Perfectionist or economic rationality
- Herbert Simon, as a part of Carnegi model refuted above idea
- Reasons.
- More applicable in case of unique problems.
- Examples, including Covid 19 lockdown.
- Message for managers: continuously look for new information, learning, be flexible and adaptive.

2006: Coalition formation

- Classical view, rational view.
- Modern view- every organization is sum-total of different interest groups. These interests are recognized by democratic environment around.
- No single party can decide. No single party holds power. Hence coalitions emerge.
- Origin in Politics. Power sharing. Extended to social, business, cultural organizations as well.
- Common minimum program. Negotiated joint order of preference.
- Goal setting involves bargaining, negotiations, learning, compromises, side payments.
- Dominant partner has more say.

2005: The Carnegie view of goal formation

- See note. Direct solution.

2003: Primary goals of organization

- Define organizational goals. Includes primary and secondary.
- Define primary goals. Examples.
- Significance of PGs.
- Comparison with Secondary Gs.
- Change in PGs as per changing time.

2002: Personal and organizational goals
- Organizations are oriented consisting of individuals.
- Define both.
- Common aspects. Complimentary.
- Conflicts, various view.
- How to coordinate

1999: Multiple goals
- Organizations are goal oriented.
- Define multiple goals with examples.
- Compare with single goal.
- Significance of multiple goals and multi-goal organisations.
- Problems due to multiple goals.
- Coalition & participation approach to best decide multiple goals.
- How to avoid conflicts among multiple goals.

1998: Goal multiplication:
- Goal oriented. Specific primary goal.
- To achieve primary goals various secondary goals or objectives needed.
- The process of defining and detailing Primary Goal into action goals is knows as Goal Multiplication.
- End-means chain is formed.
- Benefits of secondary goals.
- Negatives- conflicts, goal displacement etc.
- Suggestions: to improve EMC.

1997: Primary goals of organisations
- Organizations are goal oriented.
- Define primary goals with examples.
- Compare with secondary goals.
- Significance of primary goals.
- Limitations of Primary goals: Abstract, Narrow, Ambiguous, subject to various interpretations, over-focus may be exploitative and harmfull.

- Primary goal should reflect multiple interests, not single one.

1996: Significance of organisations :
- Direct answer in unit 1

Goal succession
- Covered above in 2019

1993: Management by objectives
Hints to answer
- Participative approach to management.
- Definition be George Odiorne
- Process
- Benefits and need today
- Limitations
- Suggestions

Model answer: Traditional managing involves top-down goal setting, imposed implementation, activity orientation and even delayed appraisals leading to activity trap and thereby inefficiency.

As an improvement, MBO is a new philosophy to managing whereby:
1. the superior and subordinates managers jointly identify common goals,
2. define each individual's major areas of responsibility in terms of result expected of him, and
3. use these measures as guides for operating the unit and assessing the contribute of every member,

MBO brings together performance goals of the organisation and personal developmental goals of individuals. MBO orients managers towards results rather than activities.

The participative approach to goal setting and result centered approach to performance appraisal brings into place SMART goals, better motivation and worker moral besides timely correction of deviations.

But MBO has limitations too. All subordinates do not take part decision making. It is difficult to set SMART goals and bring organization-wide participative culture. MBO is alleged as a tactic of management.

Still, MBO is great innovation. Proper worker training & culture, top management support, availability of time and timely feedback are certain pre-requisites. Success of MBO really depends upon how well both the objective and action plan are defined, communicated and accepted.

1991: The concept of Goal Congruency' in organisations.   10 marks/150 words

Model answer: Goal Congruence refers to the stat of match or harmony between various goals, primarily Individual Goals and organisational goals. If an individual does what his job demands, it is goal congruence. For example cooperative worker in team work.

Similarly if organisation provides what individuals expects such as bonus for productivity, it is called goal congruence.

Scope of goal congruence is wider to include congruence between

1. primary goals and secondary goals
2. internal and external goals
3. short term and long-term goals etc.

Harmony or congruence is essential and beneficial for productive resource use, job satisfaction, corporate governance, social acceptance of organisation and long-term survival.

Goal congruence is difficult task due to ambitious workers. High labour turnover is one indicator of lack of congruence. Lack of corporate governance also signal non-congruence.

Negotiation, bargaining, education, training, accommodation, organisation development, image building exercises can help reduce conflict among various goals and arrive at some sort of goal congruence.

154 words

1989: Corporate objectives

Model answer: Corporate **objectives signify** the state of affairs any company aims at achieving in short, medium and long term. Generally they are written in **MOA and AOA** in the form of main objectives and ancillary objectives.

Primary objectives are **decided by** promotors and shareholders. Policy goals are set by BOD. Operational objectives are set CEO and functional executives.

For FY 2024, corporate objectives of TATA Motors is to become the most aspirational Indian auto brand, consistently winning, by

- Delivering superior financial returns
- Driving sustainable mobility solutions
- Exceeding customer expectations, and
- Creating a highly engaged work force

Objectives **provide management definite direction,** legitimacy of resource used. Since corporate is an artificial person, objectives provide true character. Work done beyond official corporate objectives are called ultra-vires.

Corporates need to change and expand objectives with emerging business opportunities, challenges and threats. For example automobile companies are shifting towards EVs and greater use of AI. Power companies are expanding to wind and solar energy for sustainable growth and survival.

1986: Goal Displacement.

Answer: Goal displacement may be stated as a situation in which new goals have been developed by completely disregarding the official goals. It is acute form of goal distortion.

Most basic **reasons behind GD** are:
1. Iron law of oligarchy.
2. Increasing size of organization.
3. With increase in size & complexity of operations.
4. Over commitment to certain goals.
5. In case a piece of information has to travel various organization levels.

In GD, EMC reverses either completely or partially as identified by Robert Michel.

GD causes mis-use of resources, dis-satisfaction among key stakeholders and even failure of the organization such as failure of certain government administrations due to corrupt officials. Failure of Satyam Computers due to dominance of personal goals of promotors over corporate goals. Criminal cases, even closure of hospital running Kidney racket.

Steps to prevent GD:
1. SMART goals.
2. Purposive working and flexibility.
3. Worker loyalty and commitment.
4. Good MIS and control system.
5. Stakeholder participation such as RTI.
6. Good leadership etc.

1983: Organisational goals.
- Define goal as per Amitai   20 words
- 3-5 features   20-25
- Various kinds of goals(chart) 25
- Significance   20-25
- Limitations   20-25

How to overcome limitations 20