



UNIT-4

GROUP BEHAVIOR

Organization Structure and Formation:

Introduction to Organization Structure:

Organization structure refers to the framework or arrangement of tasks, roles, and relationships within an organization. It defines how various components of an organization are organized and how they interact to achieve common goals and objectives. A well-designed structure facilitates coordination, communication, and decision-making within the organization.

Key Elements of Organization Structure:

Hierarchy: Organizational structures typically feature a hierarchical arrangement, with levels of authority and responsibility. This hierarchy clarifies reporting relationships and establishes lines of communication.

Departmentalization: Organizations may group employees into departments based on functions, products, geography, or customer segments. Departmentalization facilitates specialization and coordination within specific areas of the organization.

Span of Control: Span of control refers to the number of subordinates that a manager directly supervises. A wide span of control indicates fewer levels of management and promotes efficiency, while a narrow span of control allows for closer supervision and control.

Centralization vs. Decentralization: Centralization involves retaining decision-making authority at the top levels of the organization, while decentralization delegates decision-making to lower-level managers or employees. The degree of centralization or decentralization impacts the organization's flexibility, responsiveness, and efficiency.

Formalization: Formalization refers to the extent to which rules, procedures, and policies govern organizational activities. High formalization leads to standardized processes and clear guidelines, while low formalization allows for greater flexibility and discretion.

Types of Organization Structures:

Functional Structure: In a functional structure, employees are grouped based on their specialized functions, such as marketing, finance, operations, or human resources. This structure promotes efficiency within functional areas but may lead to coordination challenges across departments.

Divisional Structure: Divisional structures organize employees into self-contained divisions or units based on products, services, geographic regions, or customer segments. Each division operates as a separate entity with its own functions, resources, and objectives.



Matrix Structure: Matrix structures combine elements of both functional and divisional structures, allowing employees to report to multiple managers based on functional and project-related needs. This structure promotes flexibility and collaboration but can create ambiguity and power struggles.

Flat Structure: Flat structures have few hierarchical levels and a wide span of control. They promote decentralization, employee empowerment, and quick decision-making but may lack clear lines of authority and specialization.

Virtual Structure: Virtual structures consist of geographically dispersed teams and resources connected through technology. They enable organizations to access global talent, reduce overhead costs, and respond quickly to market changes.

Formation of Organizations:

Entrepreneurial Phase: The formation of an organization often begins with an entrepreneurial phase, where founders identify opportunities, develop a vision, and establish the initial framework for the business. During this phase, entrepreneurs focus on innovation, risk-taking, and resource acquisition.

Legal and Regulatory Requirements: Forming a legally recognized organization involves complying with various legal and regulatory requirements, such as registering the business entity, obtaining licenses and permits, and fulfilling tax obligations. Compliance with these requirements ensures the organization's legitimacy and protects its stakeholders.

Structuring and Planning: Once the legal formalities are completed, founders must design the organization's structure, define roles and responsibilities, and develop strategic plans and objectives. This process involves aligning resources, capabilities, and goals to create a coherent framework for the organization's operations.

Resource Acquisition: Organizations require various resources, including financial capital, human capital, physical assets, and technology, to operate effectively. Founders must secure these resources through investments, loans, partnerships, or other means to support the organization's growth and sustainability.

Establishing Culture and Values: Organizational culture and values play a crucial role in shaping behavior, guiding decision-making and fostering cohesion among employees. Founders and leaders must establish and reinforce a positive organizational culture aligned with the organization's mission, vision, and goals.

Growth and Adaptation: As organizations grow and evolve, they may undergo structural changes, expansion into new markets, diversification of products or services, or strategic alliances with other organizations. Adaptability and innovation are essential for organizations to thrive in dynamic and competitive environments.