

# Dabbawala literature review



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## CHAPTER 2: LITERATURE REVIEW

### 2. 1 Organization

Daft et al. (2012) define an organization as a group of two or more people working together towards a common objective. Therefore, an organization is a group of people working together to achieve what one person cannot achieve alone. Harper et al. (2015) further posit that organizations can be described as sets of elements that interact in a structured manner through decision-making units. Moreover, he also argues that the state of an organization is best measured through performance or the outcomes of decisions made by employees. Performance in an organizational context includes a set of both financial and non-financial indicators that provide data on the degree to which the organization has achieved its objectives.

#### Defining Organizational Structure

There are currently several possible definitions of an organizational structure.

I) Daft et al. (2012) argue that the organizational structure defines how workers are organized and how the various jobs are allocated and coordinated. Therefore, the organizational structure is responsible for job allocation and the coordination of business activities.

II) The second definition, given by Ben-Ner et al. (2013), views an organizational structure as a formal arrangement between individuals or groups regarding the allocation of tasks, responsibilities, authority, and accountability.

III) De Clercq, Dimov, and Thongpapanl, et al. (2013) provide a third definition for organizational structures where they argue that an organizational structure also includes the exact nature of formalization, levels of authority, level of horizontal integration with other departments, and communication channels. The authors further argue that and organizational structure also controls how work procedures are conducted and how responsibilities and power are allocated in the organization. Therefore, an organizational structure includes the job positions, their relation to each other, and the various accountability centers.

Burns et al. (1961) study concluded that different types of organizational structures are effective in different situations first discussed the role of organizational structure in performance. Additionally, Burns et al. (1961) also identified two types of extreme organizational structures; the mechanistic structure usually found in organizations operating in stable industries and the organic structure, which is best suited to organizations in unstable environments. They also outlined various factors to consider when evaluating an organizational structure; i) task definition, ii) complexity, iii) control, iv) responsibility, v) expertness, vi) loyalty, vii) communication and viii) prestige. Bresman et al. (2013) also acknowledge that knowledge can be utilized through an organizational structure that facilitates the flow of knowledge. Knowledge workers working in innovative and knowledge-based organizations create this collective organizational knowledge (Bresman et al., 2013). It is a general conception that the specific leadership and management styles supporting innovation lead to increased organizational performance. Other scholars argue that organizational structure is a form of

control whose objective is to encourage the members to act in a certain way in the pursuit of organizational goals.

## 2. 1. 1 Types of Organizational structures

Organizational structure refers to a formal arrangement between individuals and groups concerning the allocation of authority, responsibility, and tasks in the organization (Greenberg et al., 2011). Organizations are created with the express purpose of achieving specific goals. These broad objectives are subdivided into tasks as the basis for jobs. The different tasks and jobs in the organization are then grouped into departments. Some of the department characterizations include sales, marketing, manufacturing, and advertising. In each organizational department, there are often distinctions between the jobs different people perform. All of these departments are then linked to form an organizational structure that aids in the achievement of organizational objectives (Nelson et al., 2011).

Early on, organizational structures were based on either the organizational function or product (Oliviera et al., 2011). The matrix structure as posited by Kuprenas et al. (2003) was a cross of these two major modes of organizing. Other scholars moved beyond these early structures to the examination of the relationship between the organizational structure and the associated organizational strategy. This approach began with Chandler et al. (1990) who studied the organizational development of giant American corporations such as General Motors, DuPont, and Sears. From this study, he concluded that the organizational strategy has a large influence on the organizational structure chose. He suggested that strategy determines variables in the

organization's tasks such as the technology, and environment all of which influence the structure of an organization. Furthermore, social scientists in recent times have augmented Chandler's arguments by contending that the organizational strategy also affects its technology, environment, and tasks. All of these factors combined with other environmental variables all play a role in determining the organizational structure (Miles et al., 2011).

One of the most prominent scholars in organization theory, Henry Mintzberg, suggests that organizations are differentiable among 3 main dimensions; i) the core part of the organization that is responsible for its success or failure, ii) the prime coordination mechanism which refers to the method that an organization employs to coordinate its day to day activities, and iii) the level of decentralization present in the organization which refers to the extent to which the organization involves its employees in the decision-making process (Lunenburg, 2012, p. 2). Using these basic dimensions, Mintzberg suggests that the organizational strategy adopted and the implementation of that strategy results in five possible organizational structures; a) professional bureaucracy, b) simple structure, c) divisionalized form, d) machine bureaucracy, and e) adhocracy.

The figure below represents Mintzberg's key parts of an organization:

Figure 1: Mintzberg's key parts of an organization

The Strategic apex in this framework refers to the top management including their support staff. The operative core refers to the workers who actually carry out the various organizational tasks such as the floor workers in a factory (Lunenburg et al., 2012, p. 2). The middle line refers to the middle

and lower levels of management. The technostructure includes the analysts such as accountants, researchers, engineers, and personnel managers (Lunenburg et al., 2012, p. 2). The support staffs are those who provide indirect services to the work process such as maintenance, clerical work, and legal counsel (Lunenburg et al., 2012, p. 2).

The second dimension of an organization as per Mintzberg's framework is the central coordinating mechanism. Direct supervision refers to situations where one individual is responsible for the coordination of coordinating workers under him/her. This concept is based on the scalar and unity of command principles. Standardization of work occurs when the specific work content is defined (Lunenburg et al., 2012). In manufacturing, different workers are often responsible for the assembly of a complete product. Standardization of skills happens when the skills necessary to do the tasks is specified. Standardization of Output is where the process end process is specified and measured against a predefined quality benchmark (Lunenburg, 2012). This process is especially applicable for organizations involved in product manufacturing and continuous service delivery that need to have a standardized output that always meets client expectations. Mutual adjustment occurs when the work processes are coordinated through informal communications as outlined in Likert's et al. (1961) linking pin theory.

The third organizational dimension as outlined by Mintzberg is the amount of decentralization present in an organization. He outlines three types of decentralization:

- Vertical decentralization in an organization refers to situations when the distribution of power occurs down a specified chain of command or there is shared authority between multiple subordinates in the organization.
- Horizontal decentralization occurs when non-administrative staff can make decisions affecting the work process
- Selective decentralization refers to the degree to which different units in the organization can make decisions independent of the top managerial staff.

Based on these three dimensions, the core part of the organization, the coordination mechanism, and the degree of decentralization, Mintzberg argues that the strategy adopted by an organization results in five potential organizational structural formations, simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy.

#### a. Simple Structure

The simple organizational structure uses direct supervision and utilizes both horizontal and vertical centralization (Lunenburg et al., 2012). This type of structure is mostly present in small corporations, medium sized retailers, and new governmental departments. The organization in this case has a top manager and a few workers in the core business. There is no technological infrastructure and the support staff is minimal with workers having overlapping duties. For example, teachers in elementary schools perform the duties that the support staff and techno structure in larger organizations perform.

### b. Machine Bureaucracy

A machine bureaucracy, as compared to the simple structure, relies on the techno structure as its backbone. It utilizes standardization of the work processes to coordinate individual tasks (Lunenburg et al., 2012). However, the machine bureaucracy employs limited decentralization in an attempt to keep strict control of the work processes. This type of organizational structure has many of the elements found in Weber et al.'s (1946) concept of an ideal bureaucracy and Hage et al.'s (1982) mechanistic organization. The machine bureaucracy has high levels of work specialization and formalization with the decisions centralized in at the top tier of the organizational hierarchy.

### c. Professional Bureaucracy

In professional bureaucracies, the operating core is the key part of the organization depending on the standardization of skills as the prime mechanism of coordination while employing both horizontal and vertical decentralization (Lunenburg et al., 2012). While the organizational structure is relatively formalized, it is decentralized to provide professionals the autonomy they desire. Professionals with higher skill sets provide non-routine services to their clients. In organizations using a professional bureaucracy, top management is relatively small, fewer middle management personnel, and a smaller technostructure than in other organizational structures. However, these organizations typically employ a large support staff, which provides clerical and maintenance support to the professional operating core (Lunenburg et al., 2012). Professional bureaucracies exist in



organizations providing high quality services or in industries requiring continued innovation. Since they are mostly moderate to large sized corporations, such a structure breeds communication and coordination problems with good examples of this organizational structure being hospitals, large law firms, and universities.

#### d. Divisionalized Form

Institutions with the Divisionalized form of organizational structure have the standardization of output as the prime coordination mechanism while using limited vertical decentralization. Decisions in this structure happen at the divisional level but coordination between divisions is virtually non-existent (Lunenburg et al., 2012). In this structure, corporate-level personnel handle the coordination function. Therefore, each division has some centralization resembling a machine bureaucracy. The technostructure services for all divisions in these organizations are usually provided from the corporate headquarters although each division has its own support staff.

#### e. Adhocracy

An adhocracy is different from the other organizational structures in that it has the support staff as the key part of the organization, utilizes selective patterns of decentralization, and coordinates activities through mutual adjustment (Lunenburg et al., 2012). Adhocracies are usually found in industries requiring rapid innovation and adaptation to changing business conditions. Such organizations must be highly adaptable and have efficient resource utilization policies with good examples being electronics and aerospace industries. Such organizations tend to have low levels or

decentralization and formalization. The operative core has technical specialists which result in a relatively small technostructure. Adhocracies also require a large support staff to aid in running the complex structure.