

# ORGANIZATION STRUCTURE



**SUB: PRINCIPLES OF MANAGEMENT**

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# ORGANIZATION STRUCTURE

- An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization.
- **March and Simon** have stated that-"Organization structure consists simply of those aspects of pattern of behaviour in the organization that are relatively stable and change only slowly."
- The structure of an organization is generally shown on an organization chart. It shows the authority and responsibility relationships between various positions in the organization while designing the organization structure, due attention should be given to the principles of sound organization.

# Significance of Organization Structure

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

# ORGANIZATION CHART

The definition of an organization chart or "org chart" is a diagram that displays a reporting or relationship hierarchy. The most frequent application of an org chart is to show the structure of a business, government, or other organization.

Org charts have a variety of uses, and can be structured in many different ways. They might be used as a management tool, for planning purposes, or as a personnel directory, for example. Perhaps organization doesn't operate in a "command and control" style, but instead relies on teams.

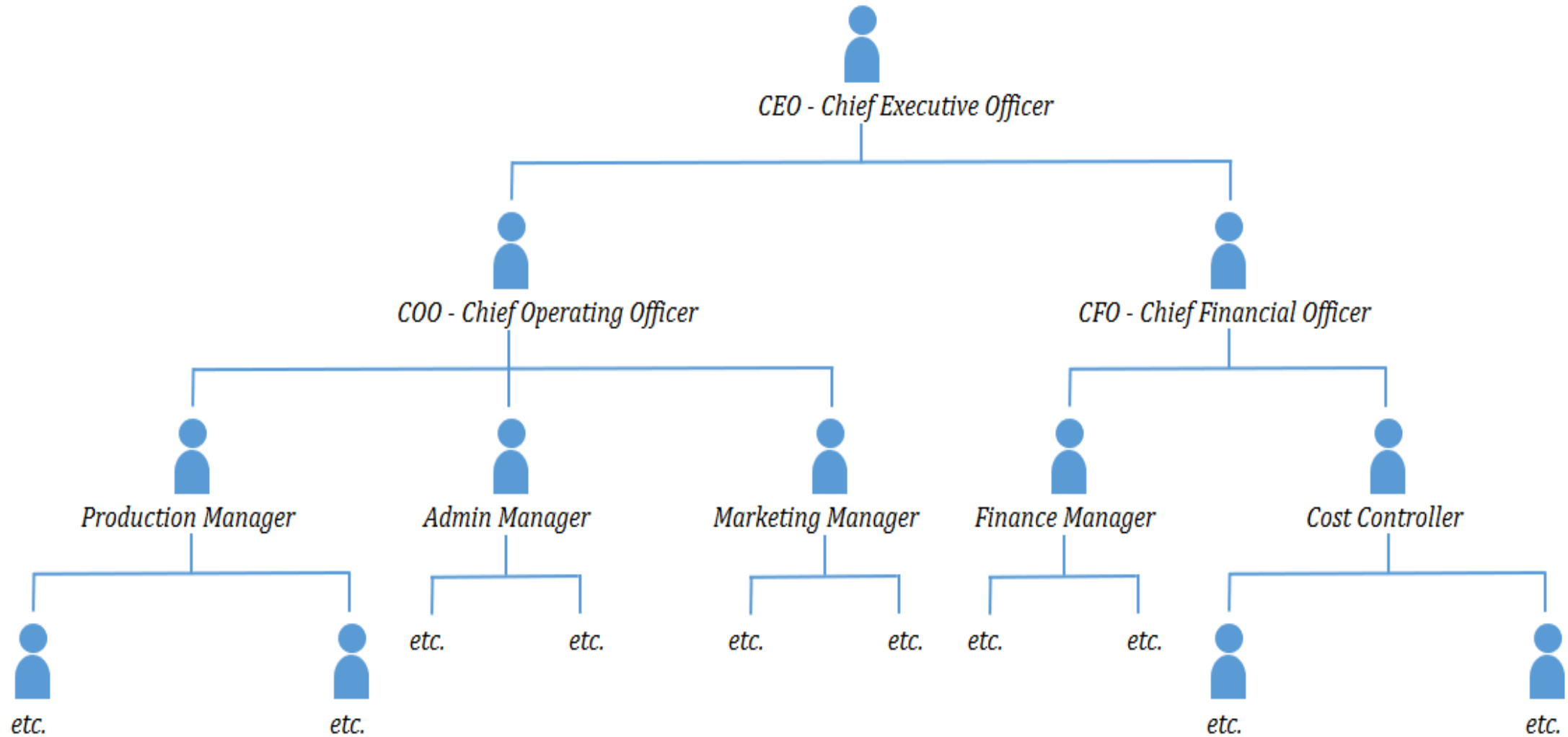
# Organizational charts are useful in a number of ways.

- Show work responsibilities and reporting relationships.
- Allow leadership to more effectively manage growth or change.
- Allow employees to understand how their work fits into the organization's overall scheme.
- Improve lines of communication.
- Create a visual employee directory.
- Present other types of information, such as business entity structures and data
- hierarchies.

# Basic Types of Organizational Charts / Structures

1. Hierarchical Organizational Chart
2. Functional Top-Down Organizational Chart
3. Divisional Structure
4. Matrix Organizational Chart
5. Horizontal or Flat Organizational structure

# Hierarchical org structure



# Hierarchical org structure

- The organizational map that is in the shape of a pyramid is classified as a hierarchical org-chart. It's the most popular corporate type. The axis of influence goes from high to low.

## Pros

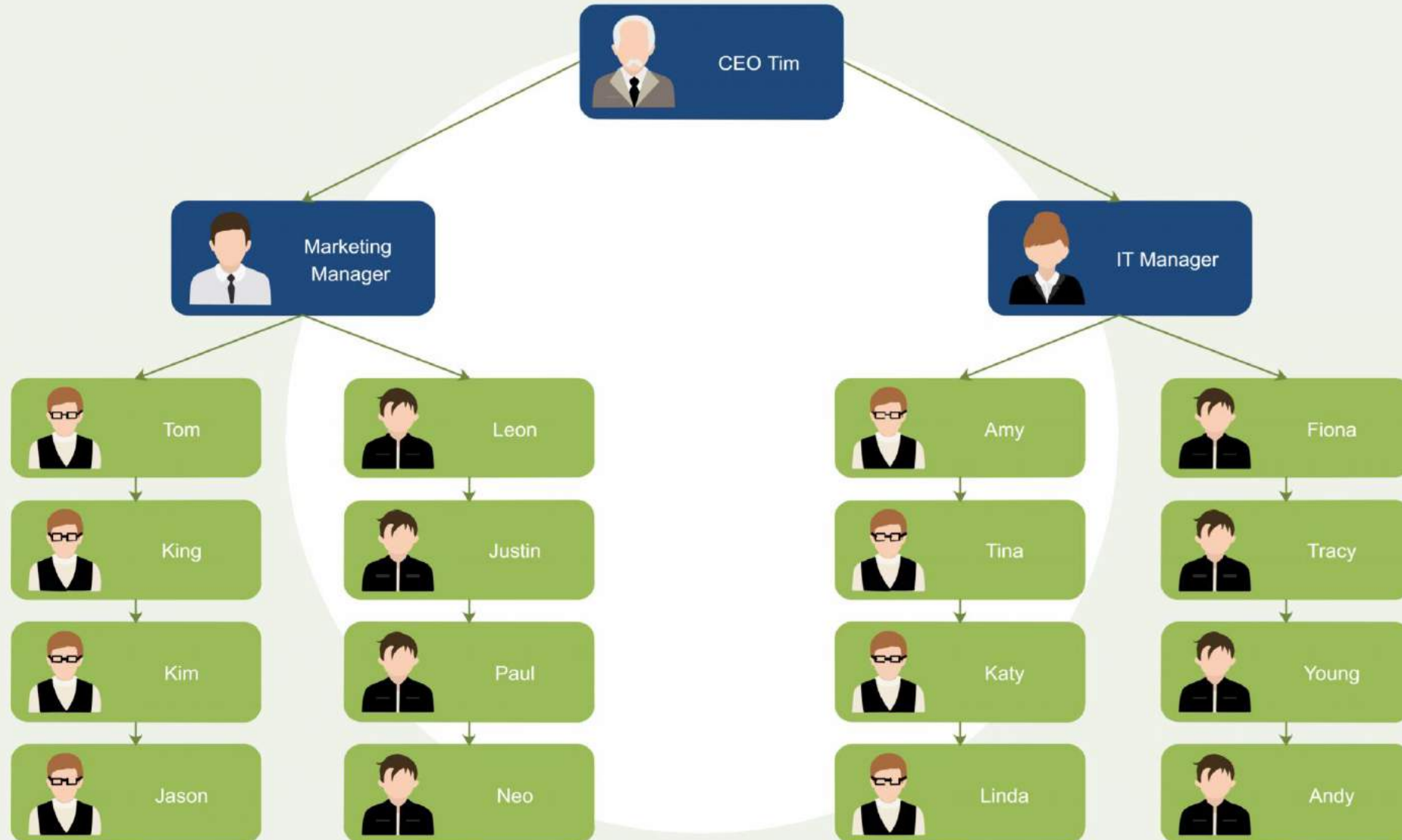
- Better distinguishes jurisdiction and accountability standards
- Indicates who each employee refers to or who to speak to about particular projects;
- Motivates workers with consistent career paths and resources to progress
- Offer a specialization to each employee
- Develop a sense of community between workers of the same unit

## Cons

- May slow down progress or make significant adjustments due to additional bureaucracy
- Can lead workers to work for the department rather than for the entire business
- May make low-level workers feel like they have no control and can't communicate their thoughts to the organization.



# Functional org structure



# Functional Organization Structure

Like a hierarchy system, a functional organization structure begins from and moves down roles with the highest degree of obligations on the Top. However, workers are grouped mainly according to their expertise and position within the organization. Each department is separately administered.

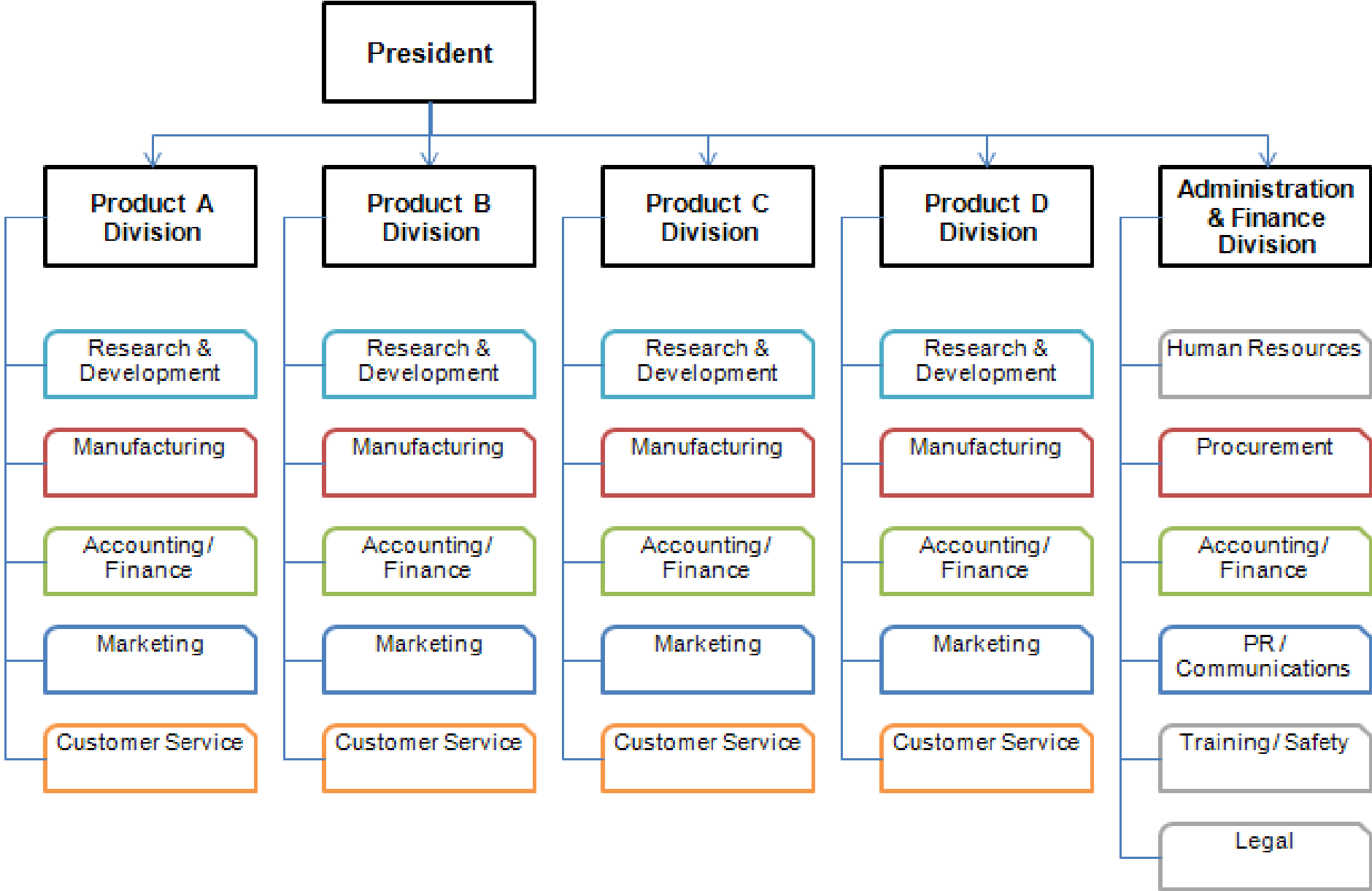
## **Pros**

- Enables workers to concentrate on their job
- Encourages experience
- Assistance teams and programs are autonomous.
- It can be scaled effectively in any big business.

## **Cons**

- May build silos in a business.
- Interdepartmental coordination restricts
- Obscures procedures and methods in a business for various markets or goods

# Divisional Org Structure



# Divisional Org structure

- The divisions within a corporation have power over their personnel in divisional corporate systems, effectively functioning within the broader entity as their own business. Each group can have its specific promotions workforce, distribution team, IT team, etc. For big corporations, this arrangement fits best as it encourages the multiple departments to make choices without anyone having to answer to only a few executives.
- There are a few variants to note, based on the focus of the company.
  1. Market-based divisional org structure
  2. Product-based divisional org structure
  3. Geographic divisional org structure

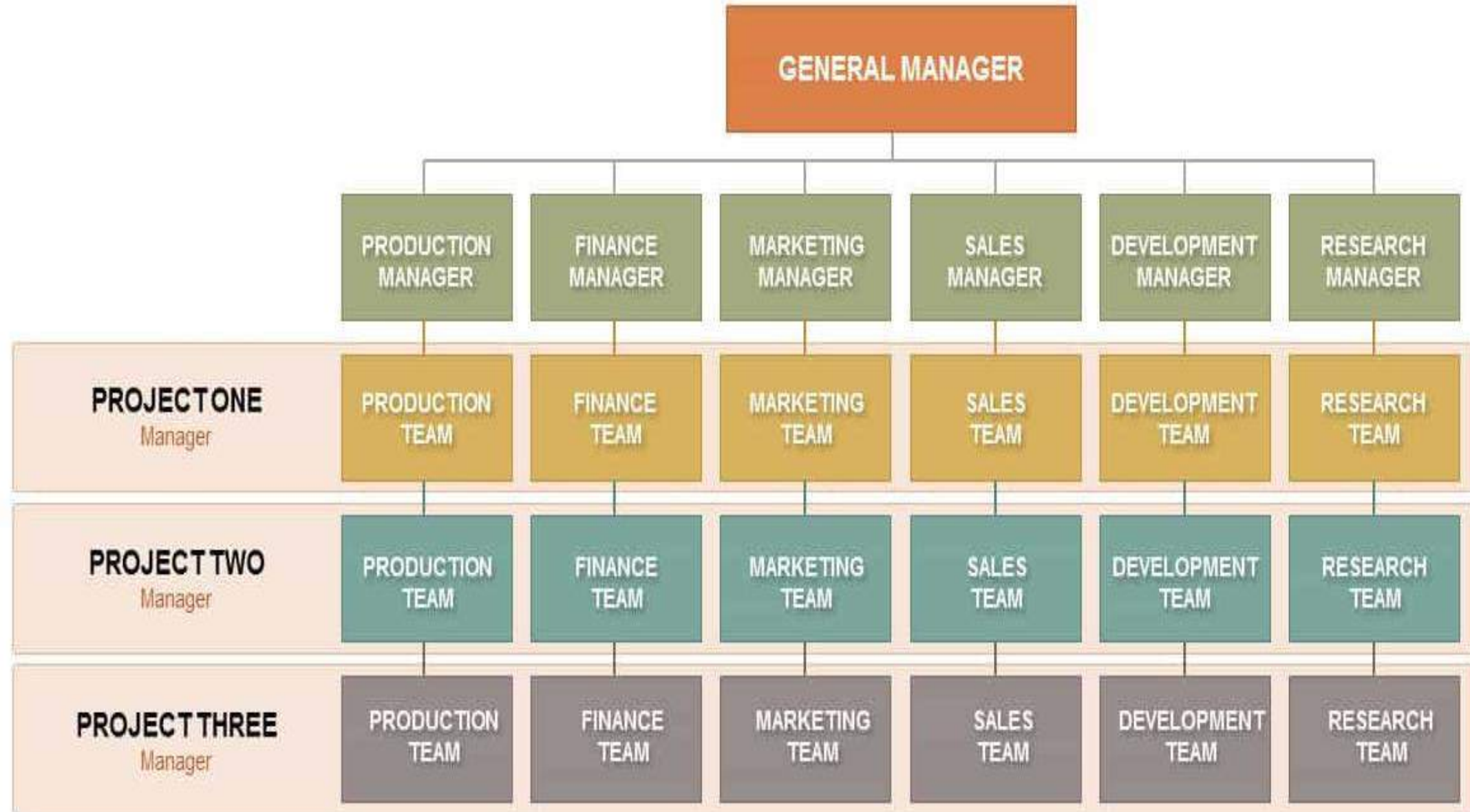
## **Pros**

- Helps major firms stay flexible
- Enables a faster response to developments in the market or consumer needs
- Promotes democracy, freedom, and a personalized strategy

## **Cons**

- Can easily contribute to identical resources
- Muddled or ineffective coordination between the leadership and its departments.
- It can lead to a business fighting with itself.

# Matrix Org Structure



# Matrix Org Structure

- A map looks like a hierarchical matrix map, and it displays cross-functional teams forming for specific tasks. An engineer can, for example, routinely contribute to the engineering division (led by an engineering manager) but serve on a seasonal job (led by a project manager). For these positions and reporting partnerships, the matrix org map allows for both.

## **Pros**

- Allows managers to pick individuals according to a project's needs quickly
- Gives the enterprise a more dynamic understanding.
- Encourages staff to use their expertise in diverse capacities in addition to their initial positions

## **Cons**

- Introduces a disagreement between the management of departments and project managers
- May change more often than other forms of the organizational map.

# Horizontal or Flat Org Structure



# Horizontal or Flat Organisations

- A horizontal or flat hierarchical arrangement suits industries with few workers at the top employee - management level. Before becoming big enough to create various divisions, many startup firms use a horizontal organ structure. Still, some enterprises keep this structure because it promotes reduced oversight and more significant interaction from all workers.

## **Pros**

- Gives additional responsibilities to workers
- Promotes more transparent interaction
- Enhances teamwork and pace of execution of fresh concepts

## **Cons**

- It may produce uncertainty when workers may not have a specific boss to report to
- Staff members with more straightforward capabilities can be created
- When the organization expands past startup status, it can be hard to manage.



# PRINCIPLES OF ORGANIZATION STRUCTURE

## **a) Line and Staff Relationships:**

Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.

## **b) Departmentalization:**

Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.

## **c) Span of Control:**

This refers to the number of specialized activities or individuals supervised by one person.

Deciding the span of control is important for coordinating different types of activities effectively.

## **d) De-centralization and Centralization:**

De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and de-centralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control.

# References

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Thank  
You!