

# Key determinant and influences on organisational structure essay



Network Structures: Network structures maintain a staff of core fulltime employees and use contracted services and strategic alliances to accomplish many business needs. Following diagram highlights the first three levels of American Express Organisation As seen from above example, there are different ways of classifying organisation structure. In practice, organizations do not follow rigid “ one structure” approach, rather a mix of different types of structures is found.

As mentioned earlier, the situations where a mix of above organisation structures is found are also known as matrix structures. The matrix structure provides the advantage associated with other organisation structures like functional, area, process or product. The case of American express is of a Matrix structure which makes it possible for the organisation to effectively manage its size and scale of operation. Why organisation has current organisation structure. As mentioned earlier in this paper, Amex operates into 3 major lines of businesses - Consumer & Business cards, Travel related services and financial advisory.

These businesses are operated from various regions across the globe and the markets are based across the globes as well. In this global perspective, it becomes important to rationalise the organisation structure so that the advantage of the functional, area based and product based organizational structure can be taken. In order to merge all these category of organisation Thus, in the diagram 1, the areas of operation are clearly delineated. All the heads of the respective areas are reporting to the CEO. As seen in the organisation chart, the top level represents the functional structure as the business functions are segregated and have separate reporting lines.

<https://assignbuster.com/key-determinant-and-influences-on-organisational-structure-essay/>

For example, Global businesses of Commercial cards, Consumer cards, business travels, Human resource, IT & Services and Financial areas are separated (Reicheld, 2001). On the next level of organisation chart, one of the business areas is drilled further. This area is of Consumer Cards led by Ed Gilligan. This is further layered by the Risk management, Merchant services etc functions. But, in the next layer, it is divided as per the geographical areas, giving a hint of divisional hierarchy.

As seen above, Amex organizational structure is matrix, which is designed to take the benefit of both functional and divisional structures (Fortune, 2009).

Determinant for Current Organisational Structure. There are various determinants for the organisation to follow any particular organisation structure viz. Strategy, Size, Technology, Change, Environment and Culture. These all factors have a significant influence on the structure adopted by the organisation.

In case of American Express, all of the above factors have played significant role in the way Amex is structured. In terms of strategy, following are the important aspects of the various organizational structures discussed so far (Schuler, 2009) - Functional structures group together people using similar skills Divisional structures group together people by products, customers, or locations Matrix structures combine the functional and divisional structures Team structures use many permanent and temporary teams Network structures extensively use strategic alliances There are various advantages associated with the functional structures. It provides Economies of scale resulting in efficient use of human resources. It is found that the functional experts are good at solving technical problems. Another advantage of <https://assignbuster.com/key-determinant-and-influences-on-organisational-structure-essay/>

functional structure is that training within functions promotes skill development. Finally, Career paths are available within each function.

These advantages are leveraged in Amex when the functional structures are followed at the highest level in the organisation. The primary issue with the functional structure is the lack of communication and coordination across functional organizations resulting in the financial chimney's problem as shown in the diagram below (Erlingsdottir, 2005). Functional Chimney's In order to overcome the issue of functional chimneys at the middle management layer, divisional organisation structure is implemented at Amex. The advantages associated with the divisional organizational structure are - Expertise focused on special products, customers, regions Better coordination across functions within divisions Better accountability for product or service delivery Easier to grow or shrink in size as conditions change