

Introduction to organization structure

[Business](#), [Organization](#)



Introduction to organizational structure An organization structure refers to an arrangement of people, relationship and responsibilities in carrying out company activities to achieve goal. In addition it also can define as how a people in the organization are group together and to whom they report. Formal structure is needed for larger organization that decisions have to be made about the delegation of various tasks. In an organization structure clearly indicate and separate between the work activities which define by their job role.

In good organization structure should explain the relationship of authority who reports to whom and for managers, who reports to them. An organization structure usually illustrated graphically in an organization chart. There are several types of organization structure such as functional organizational structure, geographic organizational structure, matrix organizational structure and product organizational structure. Functional organizational structure refers to a group of people in the organization or department that hold similar position and perform similar task. It also indicates that who reporting to whom.

The traditional way to of the organization, this is organizing people by function. A Geographic organizational structure is typically found in companies with operation spread over a large region. This includes national and international office. It will have internal structure and management layers depending on each location. While matrix organizational structure combine two or more types of organizational structure usually is product organizational structure and functional organizational structure to create a

unique blend of workenvironment. Product organizational structure is the departmentalization based on product and.

Employee work in difference unit where by each unit holds the responsibilities of producing the product or service. This structure also known as a division structure. Base on this organizational structure every product structure will lead by division. Each division will responsible for each product. 1. 0 Functional Structure According to O’Toole. S “ The term organizational structure refers to how the people in an organization are grouped and to whom they report. One traditional way of organizing people is by function. Some common functions within an organization include production, marketing, human resources and accounting”.

Base on this definition we can say that in functional structure employee are grouped together into department and hold similar position also perform similar task. Chief Executive Director Human Resource Manager Finance Manager Account assistants Manufacturing Manager Engineering Manager HR officer FOL Manager EOL Manager Test Engineering Equipment Engineering HR Assistants Payroll officer Supervisor Supervisor Engineer Enigineer Appendix 1. 0: Sample of Functional Structure for Company ABC Referring to above chart, it clearly divided the task and responsibilities by function.

Example for this company has four main functions which are finance, human resource, manufacturing and engineering. Every department has a difference roles and responsibilities. Finance department focus on accounting and payroll, where by manufacturing can concentrate on execution in order to deliver a good result by divided into two main focus which is FOL and EOL.

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Both were lead by area manager to ensure the efficiency of the result. For engineering department also separate into two main focuses, they are test and equipment engineering. Each 2 function plays a role in order to achieve the company goal.

Base on their expertise the result given will be very fast, efficiently and effectively.

1. 1 Advantage of Functional Structure The advantage of functional structure is employee can communicate and share information easily as they are grouping together according to similarities in their position. Beside that escalation process also can be done fast as and effectively. In terms of management, especially manager it easy for them to monitor subordinate performance. Another benefit of functional organization structure is coherent chain of command. For example, referring to above chart Account and payroll fall under purview of Finance department.

A clear chain of command is needed, this is because it creates standard operation procedures, besides established consequences also enhanced accountability. Another advantages of functional structure is it cans expedited decision making. This is because normally group decision making will slow down progress on project due to the diverse perspectives involved. But in this structure because people have similar professional and educational background the decision making process will be much easier. In addition functional structure also allows work to be done by qualified and skilled individual in the area concern.

Hence, another advantage of this structure is that it reduces cost by reducing duplication and use of resource in the organization.

1. 2 Disadvantage of Functional Structure Functional structure also have

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disadvantage. The disadvantage of functional structure is because functional structure separate by function, as a result employee having a very little understanding or concern for other area instead of their own area. Because of this separation there is a barrier in communication and overall cooperation and coordination. Beside that in this structure individual focus is rather than a company focus.

3.2. Geographic Structure

Geographic structure often use by large company that operate in many area. The main function of this structure is to co-ordinate the work and employee from difference unit and responsible for conducting business in certain geographic locations. Each location will have its own internal structure and management layers, allowing them to run the operation. Below is geographic structure for Open University Malaysia. From the chart Open University Malaysia has divided the organizational base on geographic which is northern region, southern region, and central region, east coast and Sabah and Sarawak.

Each region will cover certain state in Malaysia. For Northern region it covered Perlis, Kedah, Pulau Pinang and Perak. For southern region represent Johor, Negeri Sembilan and Melaka. Kuala Lumpur and Selangor is in central region. For Kelantan, Terengganu and Pahang indicate as East Coast area. Last area is Sabah and Sarawak region that cover Sabah and Sarawak. Headquarters can easily monitor the performance of each area and might not need to go through every single state to check on the academic progress or activity happened at the particular centre. Open University Malaysia

Northern region Perlis Kedah Pulau Pinang Southern region Central region
Kuala Lumpur Perak Negeri Sembilan Melaka Selangor East Coast Kelantan
Terengganu Pahang Johor

University Malaysia 4 Sabah Sarawak Sabah Sarawak 2. 1 Advantages of Geographic Structure The advantages of geographic structure are cost saving. By locating resource close to customer it will help organization to reduce the cost such as travelling expenses. Using a geographic structure allows companies to use local, experienced individuals to run the company's operation.

This is the most beneficial in international locations, where companies need help transitioning their operations to specific international markets. 2. 2 Disadvantages of Geographic Structure There are some disadvantages of geographic structure such as companies may find it difficulties to run this because it does not allow for centralized decision making. Another disadvantage is that it creates duplication of work also the use of the organization's resource. Hence, due to the geographical area that located far from each other it will create the difficulties in coordinating between departments in organization. 3. 0 Matrix Structure Matrix structure refers to a hybrid structure that combines two or more departmentalization together at one time to create a unique blend of work environment. Usually matrix structure is a combination of product and functional structure. This structure created when there is an assignment or project need to carry out. In this structure employee are reporting to two difference supervisor or manager. This is the differences of matrix structure from other structure. Example is several engineer might be hired carry forth a similar function by pooling in their expertise.

In addition, a single company producing two types of product with the same team in professional. For effective and smooth functioning, it is mandatory to

share the information in matrix structure. Each project will have a project manager and difference team members will report to him. The matrix structure, if implemented effectively, may increase the ability to react the new customer demands. It also may potentially decrease lead times of new product. Usually employee involve in this structure have to report to 2 manager which is immediate manager and also project manager who is the person to monitor the progress of the project.

When work is accomplished, the project team may get dissolved, and the workers from different functional areas may get reassigned to other project and task. Chief Executive Director Human Resource Manager Finance Manager Manufacturing Manager Engineering Manager Division of project manager FOL Manager Test Engineering manager Project manager Account assistants 1 Payroll officer 1 HR officer Account assistants 2 Payroll clerk HR Assistants Account clerk Supervisor 1 Supervisor 2 Engineer HR clerk

Legends: The hilted boxes represent staff engage with project. Appendix 3. : Sample of Matrix Structure of Company ZZZ 6 Appendix 3. 0 represent matrix structure for company ZZZ. From the chart there is a project conduct by project manager from project department. To ensure this project success the project has involves staff from other functional structure such as finance, human resource, manufacturing and engineering. For this structure usually employee need to get agreement from immediate manager before they can proceed, this is because it will impact their regular job and employee also must has a strong commitment and dedicated to perform the task.

There is an opportunity for them to learn a new thing that not in their job scope. The staff involve in this project will report to 2 manager which is

project manager and their immediate department manager. Progress of the project will monitor by project manager while their immediate manager play a role to encourage the employee to perform the task with professionally.

3. 1 Advantages of Matrix Structure The advantages of matrix structure are allowing the organization to effectively and efficiently manage the project that is large scale and complex.

The specialized employee can be chosen base on the merit of their work and functions that they carry forth. Involving in this structure will give chance to employee to success because of the work load and a lot of difference thinking forces is working on the project and therefore the stress, authority and problem solving skill become stronger. Another advantage of this structure is a cost saving. This is because the people working in the project is hired as a part one team also work under other teams.

Meaning to say that the employee involve in the project will do the 2 difference job at one time. In addition this matrix structure will provide opportunity for both functional and product skill development. Thus it will reduce barriers between departments and increase the integration of functions.

3. 2 Disadvantage of Matrix structure Even though there are advantages of matrix structure, there is certain disadvantage as well. The disadvantages of this matrix structure are requiring higher level of management skill compare to other type of departmentalization.

It will impact the company in terms of increasing cost if there is a lot of project manager hired for the job. Another disadvantage of matrix structure is increased conflict levels. This structure also may cause participants to experience 7 dual authority, which can be confusing and frustrating. Very

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important in this structure is require participant to have a very good interpersonal skill. 4. 0 Product Structure Product structure define as an organization base on organizing employee and work in difference units, while each unit holdresponsibilityof producing a product or service.

For example if company produce 4 difference products, there will have 4 difference divisions for these product. Below is a sample of product organization. In other words product structure divides the company into divisions that bring together those employee involved with a certain type of product or market service. Chief Executive Secretary Product Division Division A Beverage Division B Ice cream Engineering Division C Training Manufacturing Purchasing Division D Cereal Milk powder Infant 6 years plus 3 years plus Adult Appendix 4. 0: Sample of product Organization of Company XYZ.

Referring to above chart from company XYZ can see that this company has produce 4 products which is beverage, ice cream, cereal and milk powder. For each product will have a difference division to control. Each division within a divisional structure contains all the necessary recourses and function within it. 8 4. 1 Advantages of Product structure The advantages of product structure is company has a better control for the product as each product has manage by difference division and each division can act as a separate profit centre. Hence, this structure also can create a positive competition between divisions.

As every unit own and produce a difference product it will allow manager and employee to expend their expertise and experience that are related to the overall activity of the product. Beside that these structures also allow <https://assignbuster.com/introduction-to-organization-structure/>

management to evaluate the work performance of each division easily. Another advantage of this structure is, because of clear focus on market segment it help to meet customers' needs. 4. 2 Disadvantages of Product Structure Product structure may also have some disadvantages. For example manager may only focus on their product to the exclusion of the rest of the organization.

Due to each product having own functional area expert it may lead to increasing in cost. Beside that will have duplication in terms of process and material also will increase the company cost. Management may facing difficulties to coordinate across department also one of disadvantage of this structure. 5. 0 Conclusion In conclusion organization structure is important as it is a system that control and drive company performance to achieve goal. Difference structure has a difference functions, but the objective is the same which is to ensure company running with smooth and achieve the goal.

Functional structure is a basic structure and it applies for all organization. It still relevant and can be use for any company and organization. Geographic structure is mostly use for multinational company which has many branches at other country. It also applicable for domestic company and organization such as Open University Malaysia. Matrix structure is a hybrid structure that required commitment and skill especially interpersonal skill to perform the task. For product structure basically is a organizing people base on the product.