

Essay on organizational structure

[Business](#), [Management](#)



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Introduction

Organizational structure is a very important component of an organization. In order to successfully accomplish the organizational mission, the members of an organization need to act in accordance with a framework of order and a set pattern of management. It is the structure of an organization that puts into effect the order in which the activities of an organization are planned, organized and controlled. The roles, responsibilities and communication channels are also defined by the structure alone (Laurie J. Mullins, 2005, p 296). The objective behind the creation of organizational structure is to assimilate employees into an entrenched network of relationships so that duties and responsibilities, authority and hierarchy and communication can be directed and controlled. Assigning required amount of authority and responsibility to individual employees and a group of employees is a part of the organizational structure that ensures organizational success. The article “ Organization Structure and Effectiveness” that I have collected describes the types of organizational structure and its effectiveness.

Types of Organizational Structure

As per the article the organizational structure can be broadly categorized into three types - Functional, Divisional and Adaptive.

- Functional Structure

The article has defined functional structure as a structure in which division of departments are based on functions, such as finance, marketing, manufacturing, business development etc. Within each department there may be several sub-units tending to specific areas of the same functionality. Depending on the size, volume of work and needs, the number of sub-units is extended with a good many departmental managers supervising a large number of employees working under them. These departmental managers are in turn supervised by senior managers who are answerable to executive chief and this way a pyramid or hierarchical structure takes place within the organization (Organization Structure and Effectiveness, Peoplelearn).

After reading the definition of functional organization from the article I feel that the advantage of functional structure is that the departments being based on functional efficiency ensure specialized operational output which benefits the company in its objective. The heads of each department have direct communication with the executive chief who when required solve inter-functional problems and maintain coordination. But this sort of functional arrangement is suitable only for mid-size or small size companies and is not capable of managing pressure when the company grows in size and volume. If there are many sub-units within a single department, then often the senior management fails to give due attention to each of the sub-units, resulting in development of problems related to coordination and

control. This is definitely a great disadvantage of functional structure as per my opinion.

- Divisional Structure

In the article ' Organization Structure and Effectiveness', the divisional organizational structure has been defined as a structure that segregates an organization into different business units of different products. In short, under the umbrella of a head office, different divisions based on product line and marketing are created. Each business unit is autonomously run with each having its own chief executive or vice president. The top management of the company sets the policies and goals, provides fund to each division, but other than that each division works on its own and manages every activities related to the business, from hiring to advertising. The authority is decentralized and hence managers have the power to take decisions and settle any issue related to respective divisions.

What I feel after reading the definition is that this sort of organization is a suitable option for large business enterprises especially those in business of multiple products such as General Motors, Tata Group and Microsoft. This sort of structure ensures a team effort directed towards a particular product line and service, but it is often an expensive affair to maintain parallel divisions due to the huge cost involved in setting up separate divisional arrangements. Moreover, sometimes parallel competing divisions may give rise to internal politics which might end in some divisions having more power than others (Organization Structure and Effectiveness, Peoplelearn).

- Adaptive Structure

In the article ' Organization Structure and Effectiveness' adaptive Structure

has been divided into two types - Project Organization and Matrix Organization. Project organization refers to the work structure that is based on projects. Each project is a time-bound specialized task headed by a mid-level project manager who answers to the senior executive. Skilled employees and managers relevant to the requirement of each project are pulled in from functional departments of the organization and after the project is executed, the employees return to their departments. The project consists of a responsibility to satisfy the project needs of the client like installing a new software line into the client organization or erecting an office building and so on. I feel this benefit of this structure is that the regular business of the organization remains undisturbed. However, sometimes managers of functional departments may get into conflicts with project managers and also the transfer of employees from a functional department undermines its stability (Organization Structure and Effectiveness, Peoplelearn).

Matrix organization is also based on project based functions but the difference of matrix from project organization is the functional departments are constituted of a group of specialized personnel who when the needs arise would be loaned for full time to different projects under the leadership of project managers. After a project is executed, they return to their department and wait for next assignment (Organization Structure and Effectiveness, Peoplelearn). Most of the software companies including Accenture and IBM have matrix organizational structure. I think the major disadvantage with this structure is that the employees pooled from the functional departments are accountable to both project manager and

functional heads. This creates stress and pressure on the employees, especially those involved in multiple projects simultaneously.

Effectiveness

The article has mentioned that an organizational structure should be in alignment with the mission of an organization. If the structure of the organization and behaviors of the management and employees are in alignment with the business requirement, the likely benefits as mentioned in the article include the following:

- Productivity increases among employees.
- The objectives of the employees are in line with business mission.
- Operational risk is reduced due to the minimization of disruption in business.
- Employee retention (Organization Structure and Effectiveness, Peoplelearn).

Conclusion

I think the article has very clearly touched upon the concept of organizational structure. This structure determines how the activities of an organization would be accomplished in accordance with a particular framework of command and control. There are broadly three types of organizational structure; functional, divisional and adaptive. Functional structure refers to the structure in which an organization is divided into departments based on functions. This sort of structure is hierarchical and may prove to be beneficial for mid-size and small size companies. Divisional structure divides the organization into different divisions based on product

line and service. Each division is an independent unit funded by the parent organization. It is preferable for big companies operational in multiple businesses. Adaptive structure is categorized into two segments - project and matrix organization. The organizational structure should be built in accordance with the business needs of an organization so that the tasks and responsibilities are properly distributed and the communication pattern and the network of relationship among employees remain unscathed. I think the article very clearly discusses the pros and cons of different types of organizational structure and this concept can be used by most of the organizations to create a structure that suits organizational goals.

References

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