

The history of the organisational structure business essay

[Business](#)



\n[[toc title="Table of Contents"](#)]\n

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1. [Introduction](#) \n \t
2. [Types of organisational structures](#) \n \t
3. [Contingency approach on organisation structure](#) \n \t
4. [Organisational Design and Environmental needs](#) \n \t
5. [Vertical and Horizontal structures](#) \n \t
6. [Mechanistic versus organic structures](#) \n \t
7. [Virtual organisations](#) \n \t
8. [Conclusion](#) \n

\n[/toc]\n \nOrganisational Structure

Introduction

There are economical constraints that have a great deal of role in the formation of what is called the organisational structure. The building of organisation structure manipulates the environmental features with its various forms of structures. According to Child (1972), the structure helps to make a strategic plan which makes organisations competitive enough in the changing business environment. The organizational structures have two categories, informal and formal. Formal organizational structures are well coordinated and have systematic and controlled flow of activities. According to Chan (2002), the formal networks arise in institutionalized context and include technical relations. The policies and processes are developed along with the procedures of product development. The formal structures incorporate organisational charts which show the hierarchy, defining who is

responsible to whom and the entire chain of authority. The organisation mission statement needs to be accomplished. It also highlights the jobs and job descriptions, production efficiency and effectiveness measures. On the contrary there are the informal structures which include informal leaders with effective relationship building with the subordinates and employees. It also fulfils the emotional feelings, needs and desires for care. These informal structures tend to develop within the formal structures as per the changing day to day requirements. This is caused mainly when people come up with new ideas of getting work done effectively, ways in which people interact and find easier ways of working. There are grapevine networks in informal structures which allow the information to flow in all directions without having to follow the strict official procedure.

Types of organisational structures

Various organisations operate in its own unique ways to fulfil the objectives and goals depending on the needs that arise from the forces in the external environment. There are six types of organisation structures, Rigid Bureaucratic structure, Bureaucratic structure with cross functional teams, Matrix structure, Project structure also known as team structure and loosely coupled organic structure. The Rigid Bureaucratic structure relies too much on rules and regulations, it is highly strict and slow in responding to changing environments. Bureaucratic structure with senior management team includes teams that are managed by senior management in order to deal with moderate changes as stated by Anon, (n. d.). In times of greater changes in the workings the top management teams bears maximum load with operational and strategic decisions which needs to be made. There are

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interdepartmental teams created to cater to the upcoming problems.

Bureaucratic structure with cross functional teams has many cross functional teams which is a team of individuals with different expertise, skills and knowledge that combine together to achieve or accomplish a common goals under a bureaucratic work setting as stated by Anon, (n. d.). Matrix structure is a structure that has lines of authority both horizontal and vertical. It is formed when there is product departmentalization in a functionally departmentalized organization. Hence the authority flows down and across the structure as stated by Pride, W. M, et al. (2009). Project team structure is more like matrix structure where members have competence in varying fields. There are different projects which are undertaken and get accomplished with members coming from different functional areas to work on a single project. This project team is appointed for similar project tasks as stated by Turner (2012). Loosely occupied organic structure is usually decentralized and authority to control the tasks is often delegated. There is joint specialization where employees work together and coordinate work processes. The structure is a complex integrated mechanism with teams and tasks well integrated. There is mutual adjustment with live coordination and verbal communication making the process highly effective (http://www.analytictech.com/mb021/organic_vs_mechanistic_structure.htm). According to McMillan (2002), organizational performances are considerably affected by the structures of the organizations. These structures play a key role in the examination of various organization forms and design principles. It is of utmost importance in context of organisation's size, technology, strategy, culture and environment as the structuring of an organisation is affected by

all these factors. In order to achieve maximum levels of performance effectively and efficiently then organisations must make sure that their structure is well aligned with the changes that rapidly incur in the environment. The structure should reflect the culture of the organisation. The design of an organisation is said to be an invisible hand that brings organisations to life and makes them livelier. The main purpose of organisations is to meet the core purposes through its well defined structures. The structure defines the roles and patterns of relationships between different departments of the organisation. It directs work activities and helps in achieving organisational goals. At managerial level, organisational structures help in planning, directing, organising and controlling activities of the organisation. Organisational structures provide internal integrity and increases functionality. Therefore, these structures are built in compliance with the organisational design and architectural approaches that offer models of organisational structures. The effectiveness of an organisation structure can be assessed by its performance in the dynamic and rapidly changing environment that creates constant challenges for the organisation. The description of the structure is represented in the form of organisational chart which is visible to all the members of the organisation. However, the informal structures will not be shown or be visible on these charts. There have been widespread experimentations with the organisation structures of the twentieth century. Only a few organisations achieved success and others required considerable restructuring which involved restructuring costs and social costs with limited gains. Nowadays, most organisations are built on the organisational designs of the twentieth

century which proved to be successful then. Improving the organisation structure enhances performance and ensures greater sustainability in the competitive business environment. It also has a considerable impact on the human resource of the organisation and how people interact with each other and in what manner. It facilitates the need to be interactive and highly integrated in rapidly changing conditions and uncertainties.

Contingency approach on organisation structure

According to Govindarajan (1988), organisations that are diversified usually segment themselves into strategic business units (SBUs). These usually lead to a single strategy formulation. The strategy that is chosen determines the level of uncertainty the organisation is expected to encounter. Organisations face many situations which need to be tackled in different ways of management. The technological changes and environmental changes together require organisations to be responsive as well as efficient in corresponding to the demanding challenges. The organisation's environment consists of competitors, investors, customers, economic forces, technological changes, government policies, suppliers, employees and international forces. These forces help in the formation of structures making organizational workings easier and focused.

Organisational Design and Environmental needs

In dynamic environments, organic structures prove to be more successful than mechanic structures which can be used under stable environmental conditions. Organisational performance is best when there is a fit between the structure of the organisation and environmental aspects. These are

contingency factors which must be taken into consideration. Structural contingency is dependent on three underlying factors which are the environment, organisational structure and performance of the organisation. Organisational environment is commonly distinguished as a general environment and the task environment. The general environment is not the key concern therefore, the focus is on the task environment which is directly related to the organisation's functionality. The task environment includes the activities that aid in the achievement of organisational goals. These include the technology, market structures, competitors, networks, sales and financial sources. Uncertainty has a great impact on the organisational structure. The higher the uncertainty the greater differentiated the organisational structure is. And if the environment is certain then the organisational structure is well integrated (dissertations. ub. rug. nl/FILES/faculties/feb/2008/c. d. kathan/c5. pdf).

Vertical and Horizontal structures

Vertical organizational structures are described as structures with different levels of power and command that flows down the hierarchy as stated by Right, J. (n. d). My working experience in such a vertical organizational structure was teaching in an educational institution where authority belonged to a few on the top most levels and to be followed obediently by the rest of the members and staff. At the top levels there's a dean, a vice chancellor, Head of Department and then the professors. Such vertical structures are effective and efficient because the decision making authority is with the top level and it becomes easier to take initiatives. It is often known as a centralized structure with a rigid culture and specialized tasks.

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The horizontal structures on the contrary have collaborated networks with equal distribution of power between individuals. According to Right, J. (n. d.), horizontal structures are usually known as flat structures with fewer levels in the hierarchy. Horizontal structures allow individuals to assert their own unique perspective which is helpful in the growth and initiatives the organization takes. There is equal power and authority which strengthens the network internally. It involves all members in the decision making and communication networks are far stronger and effective. However, quick decision making can be hampered due to the time consumed in consulting all individuals in the process. This is often known as a decentralized structure with a relatively strong culture.

Mechanistic versus organic structures

Mechanistic structures are highly specialized structures formed for a single task or activity. There is rigid departmentalization with a clear chain of command which tells who follows whom and what the line of authority is. It has narrow spans of control as there is one top level official who directs and has the authority alone with fewer subordinates falling directly under. This is typically centralized with strict communication networks with information usually flowing in top down direction. This makes mechanistic structures highly formalized (http://www.analytictech.com/mb021/organic_vs_mechanistic_structure.htm).

On the other hand, there are organic structures which are decentralized and flexible. Such structures are less formalized and have free flow of information. Organic structures include cross-functional teams and cross hierarchical teams in order to undertake different projects. Such teams are formed within the

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organisation with people coming together from various departments to undertake the project. To make it possible, efficient and effective organic structures have wide spans of control with many subordinates and highly integrated structures. Communication networks are connected in all directions with information flowing in all paths. Organic structures tend to be more responsive, flexible and effective especially in today's era where there is immense competition and rapidly changing environment. However, the focus of all structures is to achieve the strategic fit and be well aligned with the mission and objectives of the organisation. This is the sole purpose for which different types of structures are built (http://www.analytictech.com/mb021/organic_vs_mechanistic_structure.htm).

Virtual organisations

These organisation structures have an infinite variety of structures which are fluid and flexible to the changing environment. According to Anon (2009), virtual organisations don't require employees. It has few physical assets and with the evolution of technology the structures are well linked and communication networks help in shaping the activities. There is often short and long term collaboration between agencies known as hybrid forms. Thus, virtual organisations are flexible and responsive.

Conclusion

Organisational structures have various forms which enhances organisational performance. There are different types of organisational structures depending on the needs of the organisation and their working environment. It defines how tasks can be allocated and defines formal coordination

techniques and patterns which need to be followed. It aims to follow the basic three components which are complexity, degree of formalization and centralization. Structures complexity refers to the number of layers an organisational hierarchy has and the number of units that are dispersed in an organisation. Similarly, organisations must follow the rules it has set which makes the workings more formalized. It makes the structure more centralised. In centralized and formalized organizational structure the decision making authority lies with only the top level of management. A centralized organization has got a very vertical organizational structure, with the decision making authority coming from top to bottom and having a trickledown effect. In a centralized and formalized organization the employees are not encouraged to show a lot of ingenuity and innovation, as it is stressed upon the employees to follow rigid rules and regulations. However, there are certain other factors which make the structure centralised or decentralised. The structure of an organisation needs to be changed and transformed in apropos to the changes in the dynamic environment. These changes are often vulnerable to the achievement of organisational goals. Therefore, organisational design helps in reshaping the organisational structure to meet the changing requirements and help in the achievement of the end goal. Any organisation without an appropriate structure is likely to fail in the long term as competition and coordination is a key to organisational performance.