

## 7.4 ORGANISATIONAL STRUCTURE

An *organizational structure* is defined as 'Network of job positions, responsibilities and authority at different levels'.

Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.

An organisation structure specifies the various job tasks and shows how the same are formally divided, grouped, and coordinated. It provides an appropriate framework for authority relationship. It indicates the hierarchy of authority and the reporting relationships. It is a means to help the management to achieve the organisational objectives.

An organizational structure consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. Organising structure is the outcome of organizing process. Whenever an organization grows in size and complexity, an adequate structure is needed. Structure clearly defines the job positions, authority, and responsibilities of different employees.

An organization can be structured in many different ways, depending on their objectives. The structure of an organization will determine the modes in which it operates and performs.

Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual. Organizational structure affects organizational action in two big ways. First, it provides the foundation on which standard operating procedures and routines rest. Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions.

Peter Drucker clearly says, 'An organizational structure is an indispensable means; and the wrong structure will seriously impair business performance and even destroy it.'

As the objectives of the organisation are derived from the overall strategy of the organisation, it is logical that an organisation structure is closely linked to its strategy. As such, if the management makes a significant change in the organisation's strategy, the organisation's structure needs to be modified to accommodate and support the change. There is considerable evidence to

indicate that choice of an organisation's strategy (stability strategy/growth strategy) is determined by three basic factors (contingency factors): (i) the organisation's size, (ii) technology used by the organisation (for converting the financial, human and physical resources into products and services), and (iii) environmental uncertainty (external environment). Information technology and globalisation have had a tremendous impact on organisation structures. Many of today's managers realise that the traditional organisation structures based on bureaucratic principles no longer provide solutions to the challenges posed by the new paradigm environment. The needs of flexibility, adaptability to change, creativity, innovation, knowledge and the ability to overcome environmental uncertainties are among the biggest challenges facing many of the organisations. The result has been that the vertical (tall) structures are being replaced by horizontal (flat) structures, the organisations with mechanistic structures are being transformed into ones with organic structure. These shifts reflect a clear departure from the practice of centralised decision-making to decentralised decision-making, from command to consensus based self-control. The new forms of organisation structure that have emerged are: taskforce, network, virtual, boundary less structures. The salient features of these and other organisation structures are briefly described here to present an overview of different types of organisation structure and their suitability under different situations.

#### **7.4.1 Benefits of a good organizational structure**

1. It allows correlation and coordination among human, physical resources and enables the business to achieve its goals.
2. It ensures a smooth flow of communication and better control over the operations.
3. It provides the framework within which an organization functions while coordinating the responsibilities of individuals and departments.

The span of management, to a large extent gives shape to organizational structure. It refers to the number of subordinates that can be effectively managed by a superior. This determines the levels of management in the structure. The span of control depends upon:

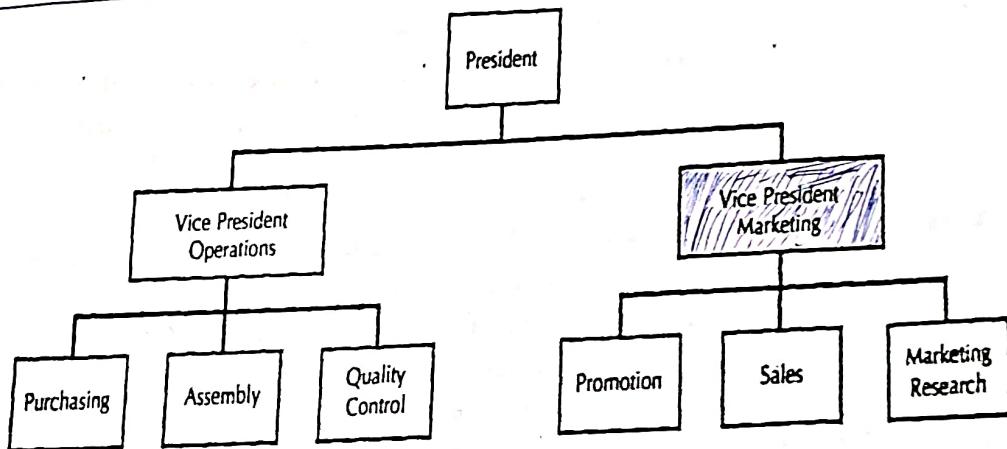
- Capacity and intelligence level of managers.
- The trust of managers in their employees.
- The employees' intelligence level.
- Nature of job (routine or specialized).

#### **7.4.2 Types of organizational structure**

**Line Organisation:** Line organisation is the simplest form of organisation structure. Line organization is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top

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to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place. The line structure is based on the scalar principle, which states that authority and responsibility should flow in a direct line vertically from the highest level of the organisation to the lowest level. The primary emphasis in the line organisation is upon the superior-subordinate relationship. Every person in the organisation is in the direct chain of command. (Figure 1).



**Figure 1: Line organization**

### **Features of Line Organization**

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organizations.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

### **Merits of Line Organization**

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.

... manage their jobs without much assistance from the superiors,

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4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

## Demerits of Line Organization

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.