



UNIT 5: ORGANIZATION STRUCTURE AND DESIGN

BIT 3rd SEM

Patan Multiple Campus

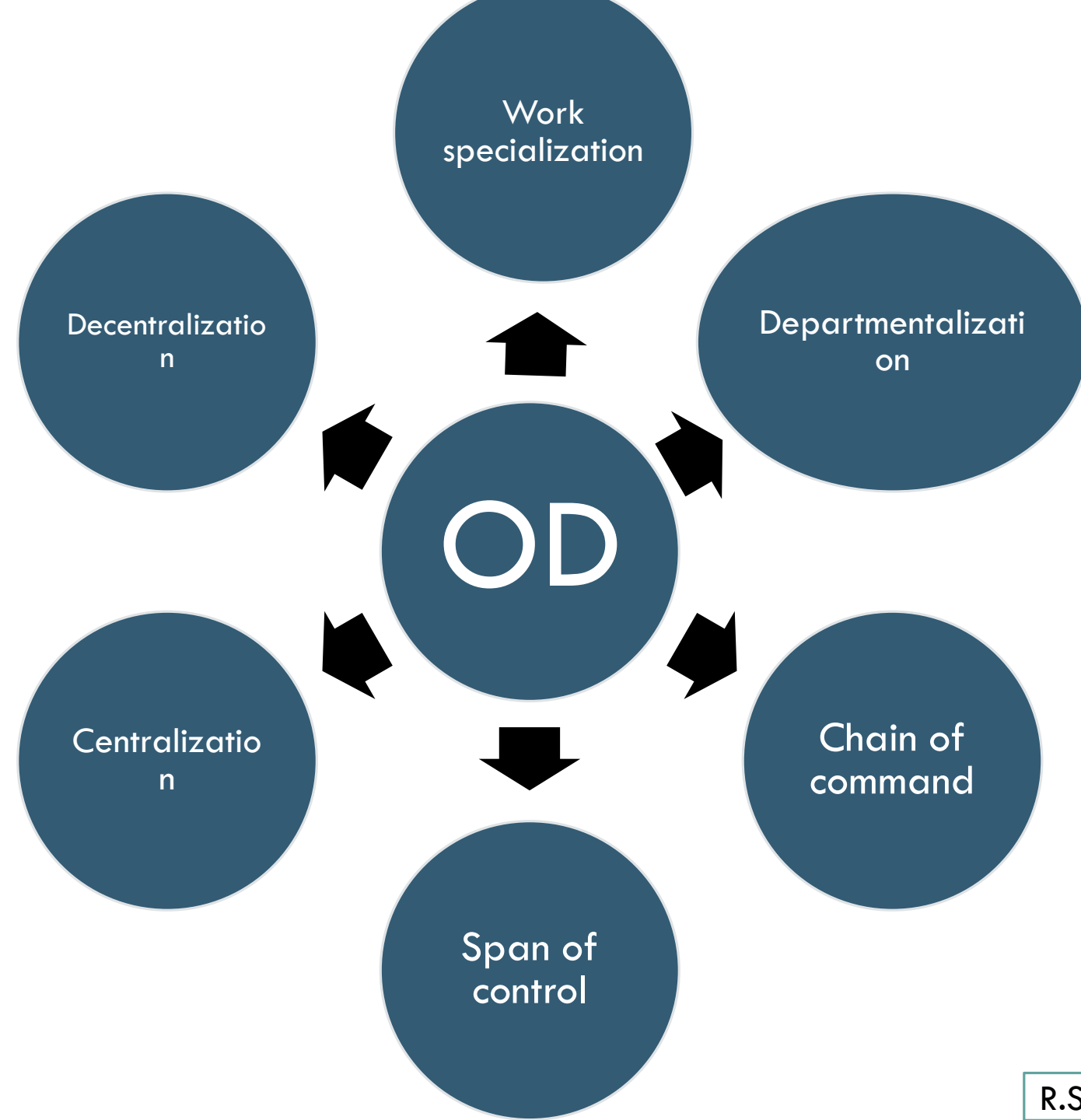
ORGANIZATION STRUCTURE

- ❖ Formal arrangements of Job
- ❖ Visual representation of organizational units
- ❖ Authority Delegation
- ❖ Allocation of Resources
- ❖ Systematic Working Environment (SWE)

FEATURES OF ORGANIZING

- ❖ Identification of activities
- ❖ Grouping of activities
- ❖ Accumulation of resources
- ❖ Defining hierarchy of positions
- ❖ Assignment of jobs
- ❖ Establishing authority and responsibility relationship
- ❖ Evaluation of performance

ORGANIZATIONAL DESIGN



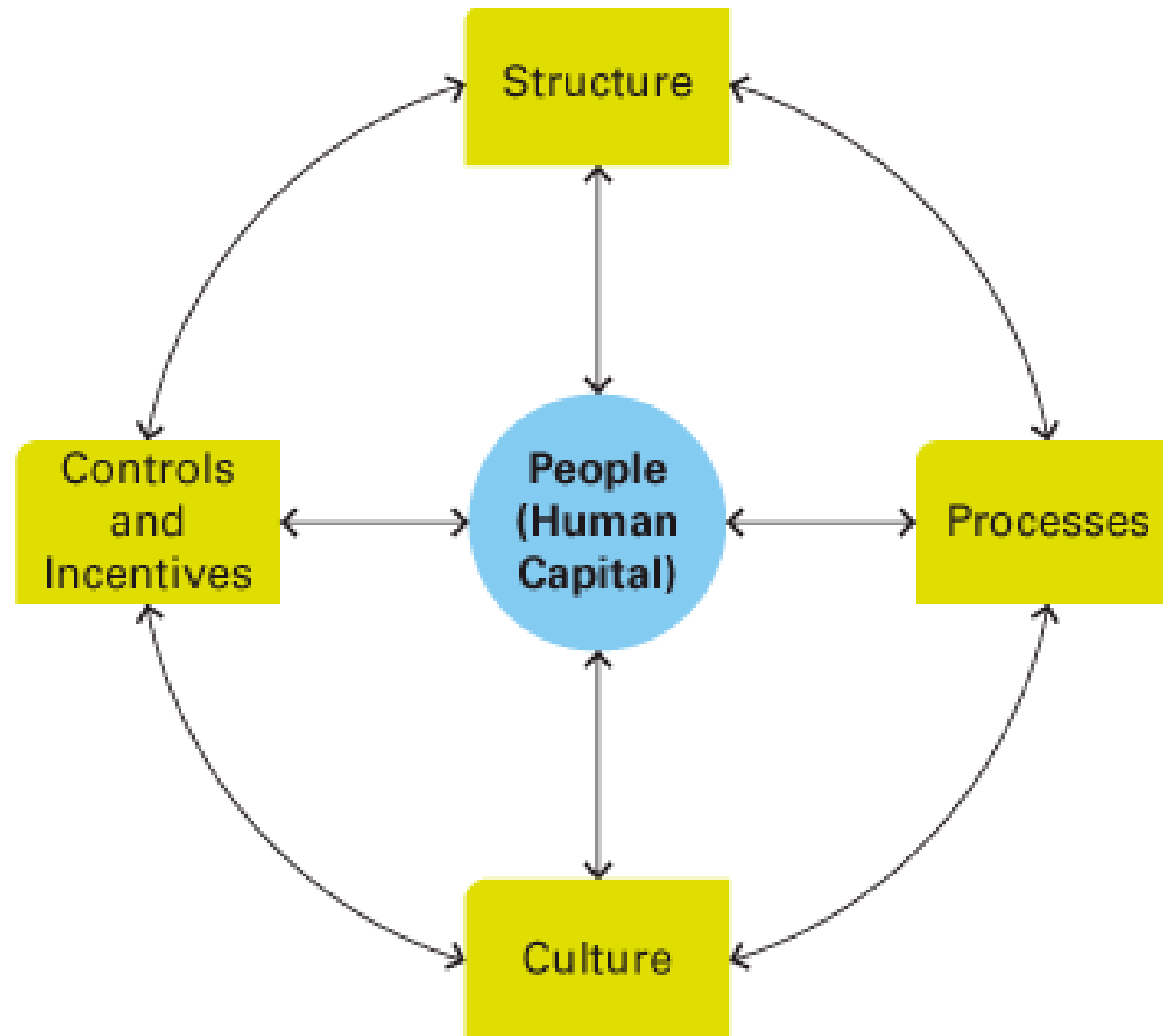
ELEMENTS OF ORGANIZATIONAL DESIGN

1. Work Specialization
(Work Division into separate tasks)
2. Departmentalization
(Units of work)
3. Chain of Command
(Reporting system from Top to Bottom)
4. Span of Control
(Number of Employees to be controlled)
5. Centralization
(Decision making centered at Top level)
6. Decentralization
(Input or participation of employees for decision making)

ORGANIZATIONAL ARCHITECTURE

- ❖ Sum total of organizational structure, control system, reward system, culture and employees working
- ❖ Concerned with
 - division of work
 - forming management hierarchy
 - delegation of authority
 - responsibility
- ❖ Support the strategy and functioning

ORGANIZATIONAL ARCHITECTURE



VERTICAL & HORIZONTAL DIFFERENTIATION

Vertical Differentiation	Horizontal Differentiation
1. Tall Structure	1. Functional Structure
	2. Multidivisional Structure
2. Flat Structure	3. Geographic Structure
	4. Matrix Structure

VERTICAL DIFFERENTIATION

- ❖ Location of decision making authority within a structure
- ❖ Centralization or decentralization
- ❖ Involves number of layers in management hierarchy i.e. tall or flat

TALL VS FLAT

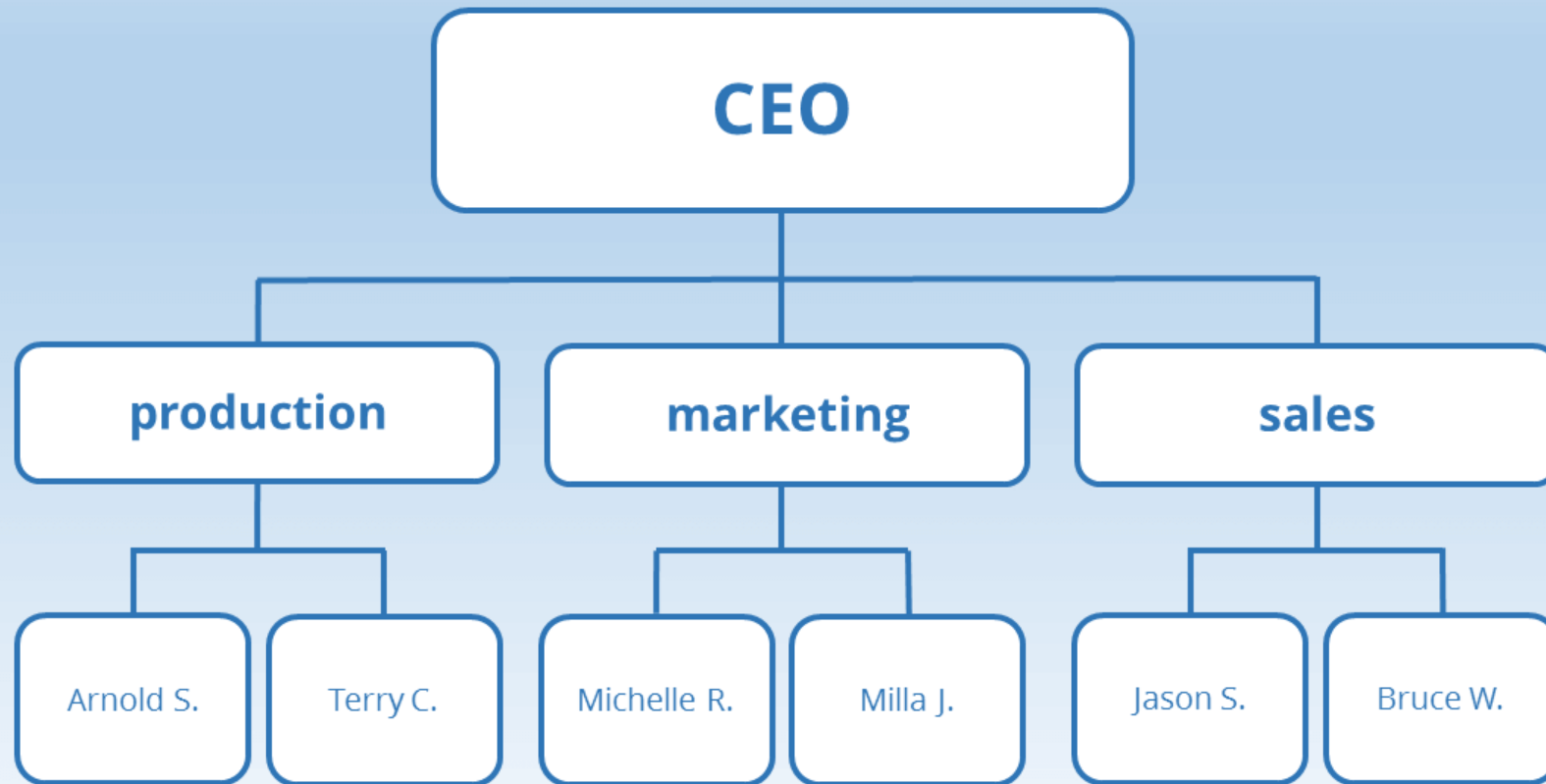
Tall Structure/ Hierarchy	Flat Structure/ Hierarchy
1. It has centralized authority.	1.. It has high level of decentralization.
2. Narrow span of control and wide division of work.	2. There is wide span of control.
3. There is extended communication line from top to lower level of management.	3. There are more functional departments.
4. There is unity of command and wide distance from top level to bottom level.	4. There is close and personal supervision of top level of management to each department.

HORIZONTAL DIFFERENTIATION

- ❖ Concerned with dividing organization into sub-units on the basis of convenience
- ❖ Concerned with the formation of different departments on different basis such as functional structure, multi- divisional structure, geographical structure and matrix structure.

1. FUNCTIONAL STRUCTURE

- ❖ Specialization by functions
- ❖ Focus on unit goals
- ❖ Line- staff division
- ❖ Functional relationship
- ❖ Limited span of management



Advantages	Disadvantages
Benefits of specialization	Multiple command system
Increases efficiency	Lack of co- ordination
Healthy competition among experts	High administrative cost
Relief to executives	Delay in decision making
Mass production	Spoils human relation
Facilitate growth and expansion	Narrow outlook of specialists
Suitable for present environment	Shifting responsibility

2. MULTI- DIVISIONAL STRUCTURE

- ❖ Based on multiple businesses operating within a larger organizational framework
- ❖ Specially used by the business firms that are involved in the production of various lines of products or services in various locations
- ❖ Separate division is formed for a product line or service and all functions like production, finance, marketing and personnel, etc. of one division are brought together under the concerned division

Advantages	Disadvantages
Suitable	Source of conflict
Facilitates specialization	Under utilization of capacity
Maintain direct attention	Problem for effective control
Effective monitor and evaluation	Maximize administrative cost
Accountable divisional managers	Difficulty in coordination
Optimum use of resources	More interdependency
Efficiency integration	Ignore common goals

3. GEOGRAPHIC STRUCTURE

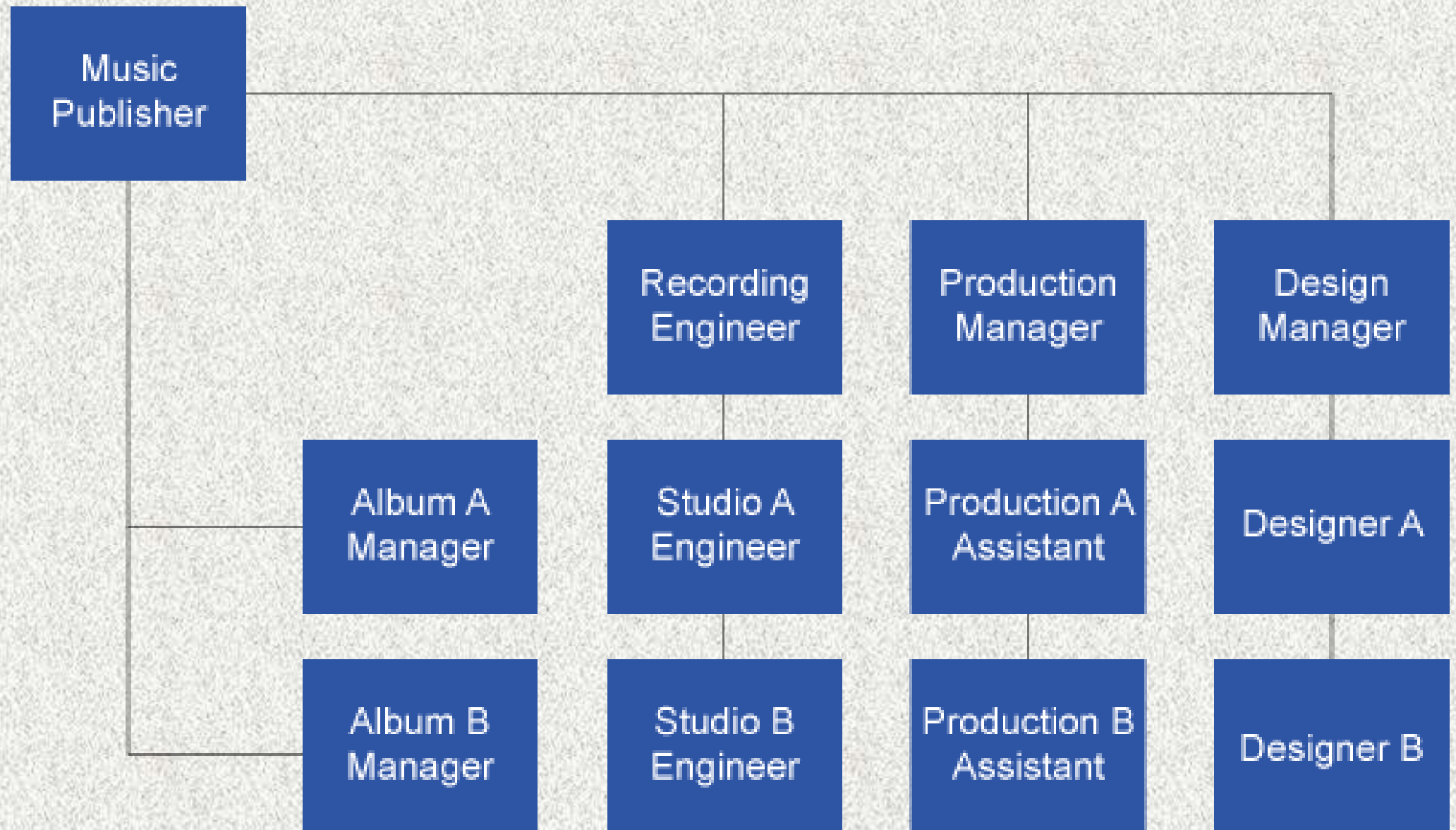
- ❖ All activities of specified territory are assigned to a particular department or regional manager
- ❖ Appropriate for large- scale enterprises which are geographically spread out in many locations inside and outside the country
- ❖ Activities are grouped into regions, zones, district, branches, etc. and are assigned to a particular department or regional manager

Advantages	Disadvantages
Local operations	Problem of integration
Expansion of business	Possibility of duplication
Environmental change	Difficult to maintain central control
Better co- ordination	Lack of efficient people
Meet local demands	Cost of departmentalization

4. MATRIX STRUCTURE

- ❖ Special type of problem solving form of an organization formed to complete various types of projects of specific and unique nature
- ❖ Project is assigned to the project manager and he is given a team of specialists from different functional departments
- ❖ Integrates the efforts of functional and project authority
- ❖ Known as project management structure

Example Matrix Organizational Chart



Advantages	Disadvantages
Better coordination and control	Violation of unity of command
Adaptable to dynamic environment	Costly structure
Maximum use of resources	Problem of over- specialization
Participative management	Difficult to balance
Sufficient time to top management	Feeling of insecurity
Excellence in interdisciplinary specialization	Lack of wide coordination
Development of teamwork	Lack of commitment

ORGANIC & MECHANISTIC ORGANIZATION



- ☐ Rigid hierarchical relationships
- ☐ Fixed duties
- ☐ Many rules
- ☐ Formalized communication channels
- ☐ Centralized decision authority
- ☐ Taller structures

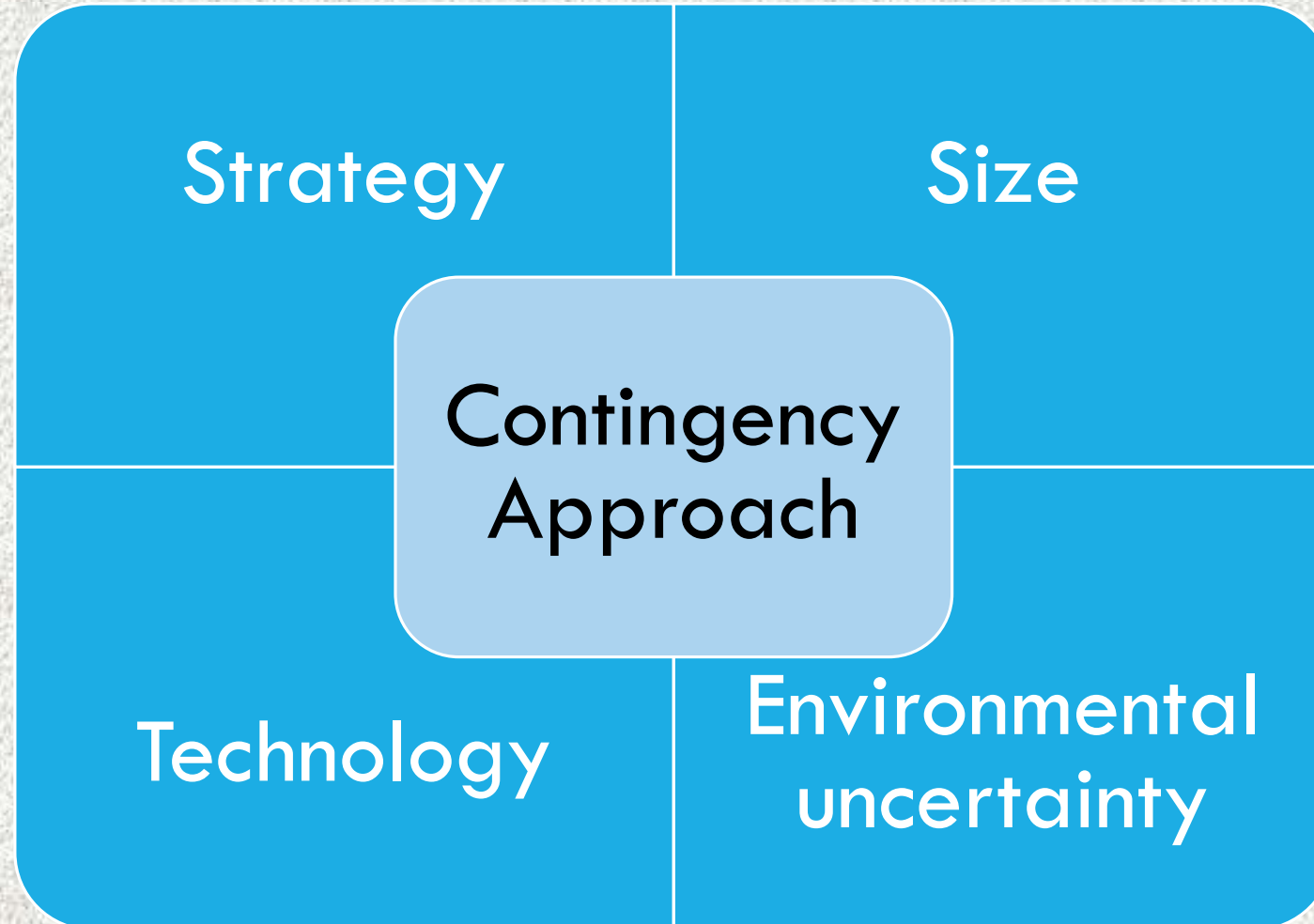


- ☐ Collaboration (both vertical and horizontal)
- ☐ Adaptable duties
- ☐ Few rules
- ☐ Informal communication
- ☐ Decentralized decision authority
- ☐ Flatter structures

CONTINGENCY APPROACH

- ❖ Unpredictable future circumstances
- ❖ Factors that moderate the effect of organizational performance
- ❖ Relevancy, Radical & Rational

CONTINGENCY APPROACH



CONTINGENCY APPROACH

❖ Strategy: (Flexibility for unique and innovative companies)

(tight controls and stability for total control costs)

i. Innovation

ii. Cost minimization

iii. Imitation (Duplication in activity and product design)

❖ Size:

i. Large companies with improvised system

ii. Small companies with traditional system

CONTINGENCY APPROACH

❖ Technology:

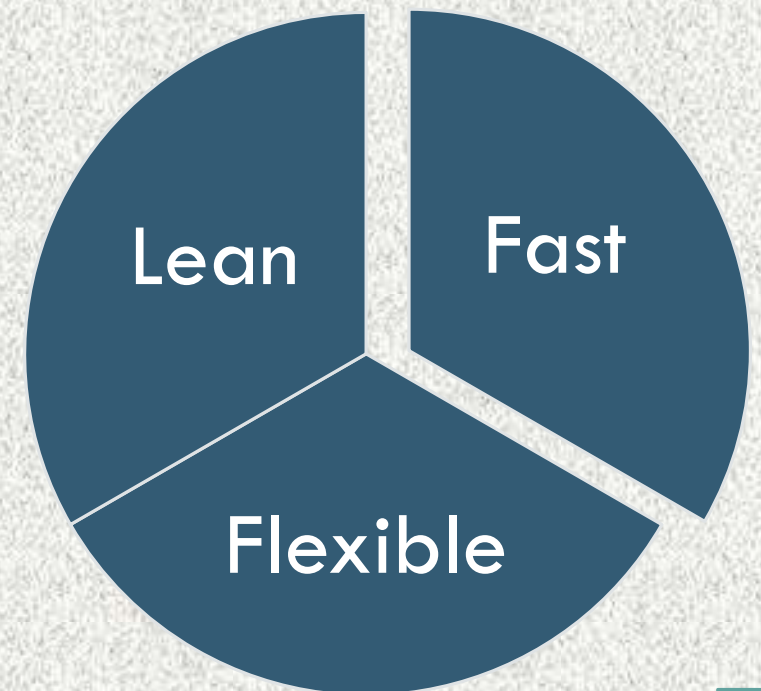
- i. Unit Production
- ii. Mass Production
- iii. Process Production

	UNIT PRODUCTION	MASS PRODUCTION	PROCESS PRODUCTION
Structural characteristics:	Low vertical differentiation Low horizontal differentiation Low formalization	Moderate vertical differentiation High horizontal differentiation High formalization	High vertical differentiation Low horizontal differentiation Low formalization
Most effective structure:	Organic	Mechanistic	Organic

CONTINGENCY APPROACH

❖ Environmental Uncertainty:

- i. Organic organization can deal with dynamic and uncertain environments
- ii. Mechanistic organization can deal with stable environments



Application of Organization Design:

i. For Traditional Organization

Simple Structure

- **Strengths:** Fast; flexible; inexpensive to maintain; clear accountability.
- **Weaknesses:** Not appropriate as organization grows; reliance on one person is risky.

Functional Structure

- **Strengths:** Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- **Weaknesses:** Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

Divisional Structure

- **Strengths:** Focuses on results—division managers are responsible for what happens to their products and services.
- **Weaknesses:** Duplication of activities and resources increases costs and reduces efficiency.

Application of Organization Design:

ii. For Contemporary Organization

TEAM STRUCTURE

- **What it is:** A structure in which the entire organization is made up of work groups or teams.
- **Advantages:** Employees are more involved and empowered. Reduced barriers among functional areas.
- **Disadvantages:** No clear chain of command. Pressure on teams to perform.

MATRIX-PROJECT STRUCTURE

- **What it is:** Matrix is a structure that assigns specialists from different functional areas to work on projects but who return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.
- **Advantages:** Fluid and flexible design that can respond to environmental changes. Faster decision making.
- **Disadvantages:** Complexity of assigning people to projects. Task and personality conflicts.

BOUNDARYLESS STRUCTURE

- **What it is:** A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries; includes *virtual* and *network* types of organizations.
- **Advantages:** Highly flexible and responsive. Utilizes talent wherever it is found.
- **Disadvantages:** Lack of control. Communication difficulties.



UNIT 5 COMPLETED