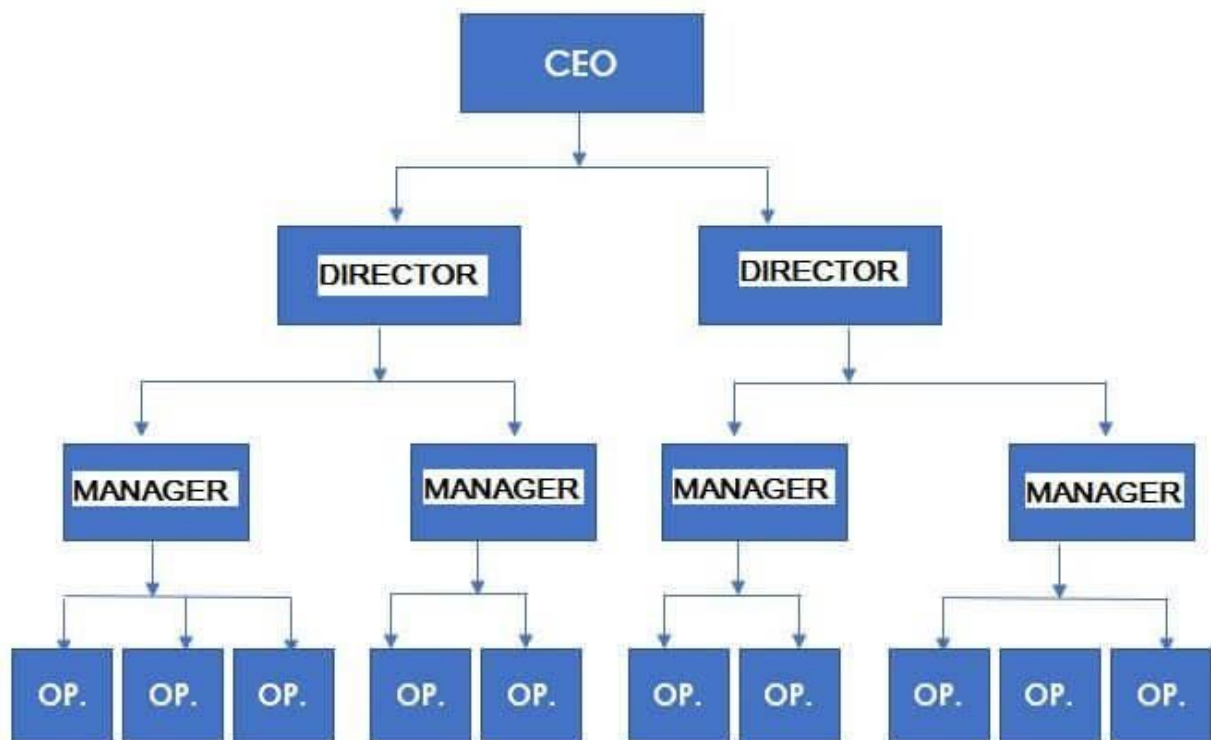


# Organisational structures and their appropriateness

There are many different types of organisational structures in today's world. Some of them are quite new, while some of them have proved their effectiveness over the years. Here we will be discussing about these structures in detail, including their merits and demerits.

## 1. Line structures

The traditional line structure is organized in such a way that a president or CEO (Chief Executive Officer) is at the top. Then there are the directors or VPs (Vice-Presidents) of specific areas, followed by managers, and so on, until the operational personnel. This structure can be seen below:



### 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.

## 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.

## Appropriateness

It's a very rigid structure, with little information exchange, typical of bureaucratic companies in which there is little collaboration. Nowadays it's unusual, but in the past it was practiced in military, religious, and even academic organizations. In this way, one area doesn't interfere with the work of another, and the staff only obeys the 'orders' of the immediate superior.

However, this system may be suited best for organizations following a strict escalation pattern with no deviations whatsoever. For example, call centres. There is only a fixed way a call is tackled, and exceptions rarely occur.

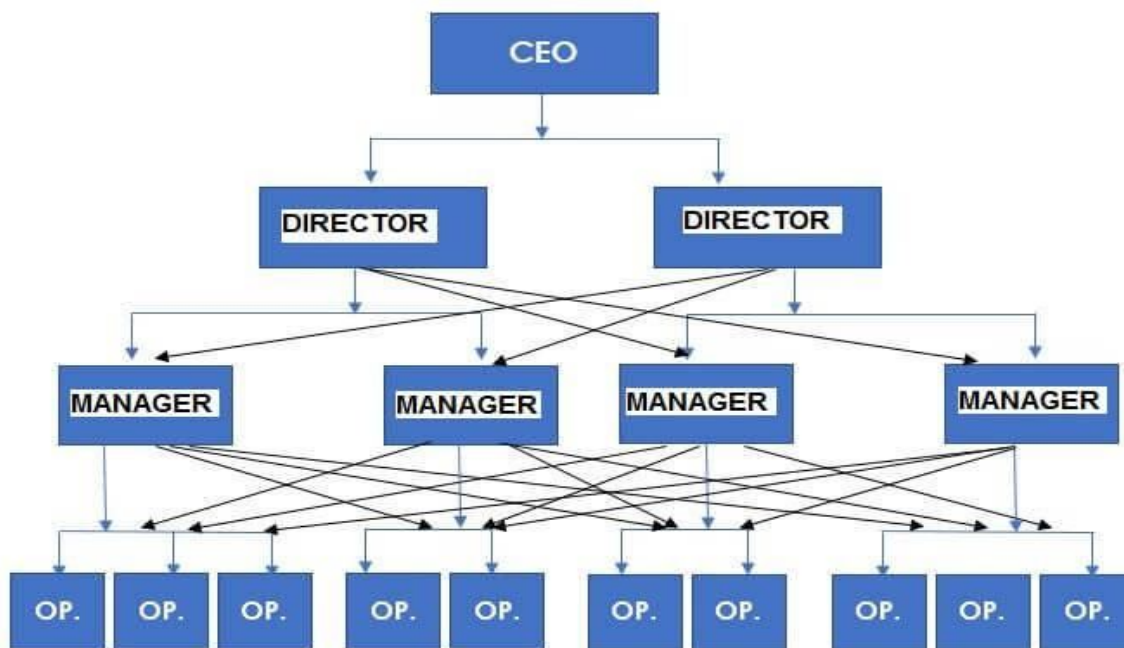
## 2. Functional structure

**Functional organization** has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.

The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

The functional organizational structure derives from the line structure; the difference is that **employees in an area need to report to all the directors**.

For instance, an employee from the finance department may be called upon by the HR (Human Resource) manager to handle a matter related to this area. The IT (Information Technology) manager may do the same, and so forth.



It's a way to avoid centralization and excessive specialization in tasks in your area. Today this is the most used structure in many companies and organizations, but this doesn't mean it's the best one.

Everything will depend on the relationship between managers and, especially, on the appropriate use of IT to aid in **internal communication**.

### Merits of Functional Organization

1. **Specialization-** Better division of labour takes place which results in specialization of function and it's consequent benefit.
2. **Effective Control-** Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
3. **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.

### Demerits of Functional Organization

1. **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
2. **Lack of Co-ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
3. **Difficulty in fixing responsibility-** Because of multiple authority, it is difficult to fix responsibility.

### Appropriateness

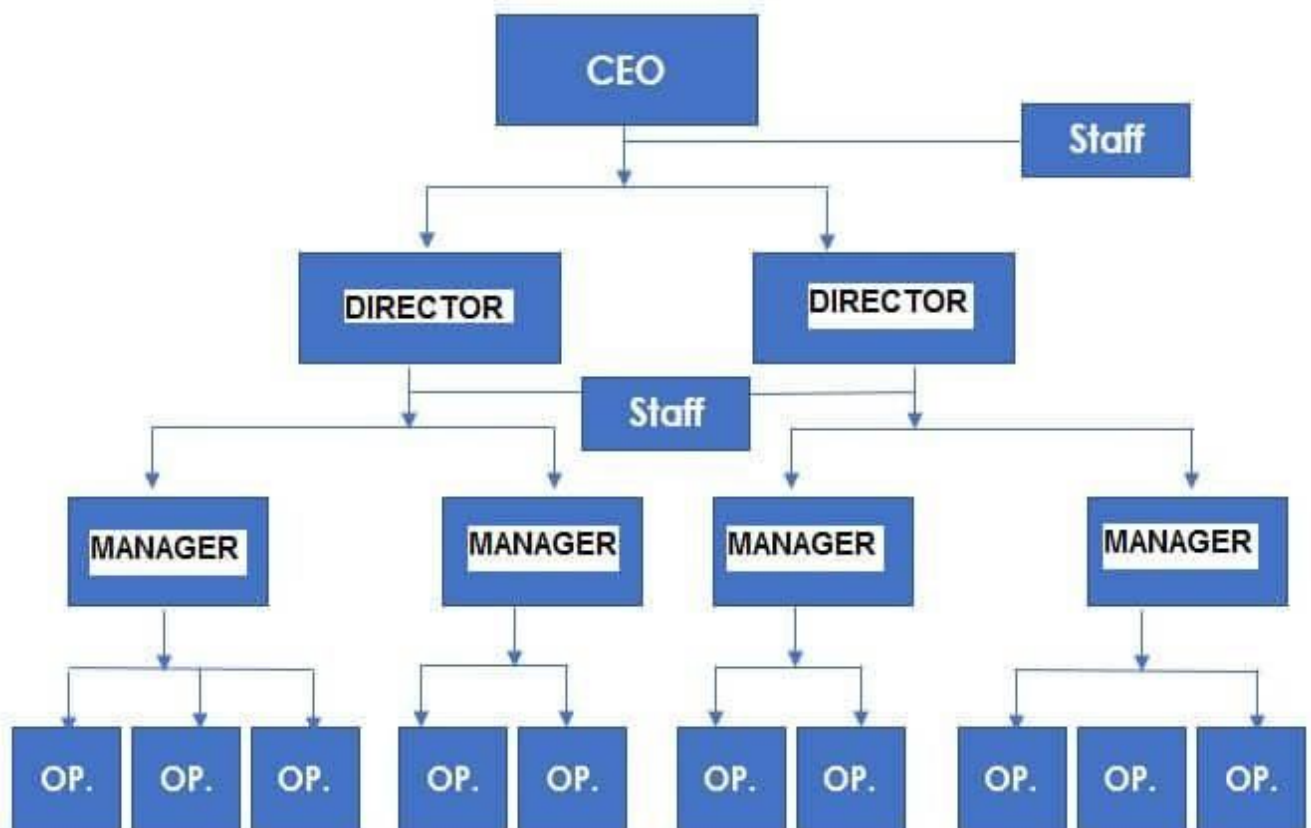
This organizational structure example is suitable for small companies, such as manufacturing, hotels, medium-sized car repair shops, medical clinics, or other types of business where informal structures allow functional control over employees without generating conflicts between managers.

However, this model fails when there is additional pressure upon a person to report to multiple people and carry out all the tasks at hand.

### 3. Line and staff structure

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives. Personal Secretary to the Managing Director is a staff official.

It's similar to the line structure, except that in this case **the staff advises, gives opinion, makes reports, authorizes and supports the organization.**



## Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.
3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.

## Demerits of Line and Staff Organization

1. **Lack of understanding-** In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.
2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provide wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.
3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.

## Appropriateness

Organizational structure examples of this type include insurance companies, engineering firms, law firms, regulatory agencies, etc. In other words, organizations that need isolated technical advice to assist **employees who handle or manage the day-to-day operations** on the front line.

This way, a constant feedback system is in play, which helps the organization to correct its path in case of deviations. However, the feedback received maybe highly biased, and may not be generated keeping the best interests of the company in mind.

## 4. Projectized Structure

In projectized organizations, organizations arrange their activities into programs or portfolios and implement them through the projects.

Here, the project manager is in charge of the project, and has full authority over it. Everyone in the team reports to him. The projectized organization structure is the opposite to the functional structure. Here, either there will be no functional manager, or if he exists, he will have a very limited role and authority. This is one of the main benefits of a projectized organized structure, as they are adaptive and learn from their own as well as from others' experiences.

In projectized organizations, most of the resources are utilized in the project work. Projectized organizations are only interested in the project work which they get from external clients. Usually, they have some small departments such as Admin, Accounting, and Human Resources to support the project management activities.

### **Merits of Projectized Organization**

1. Since the team members directly report to the project manager, there is a clear line of authority. This reduces conflict and makes decision making faster and more flexible.
2. Due to a single reporting system, there are shorter lines of communication which creates strong and effective communication within the project management team.
3. Due to a single authority, less time is consumed in communication, and the response to stakeholders' concerns is fast.

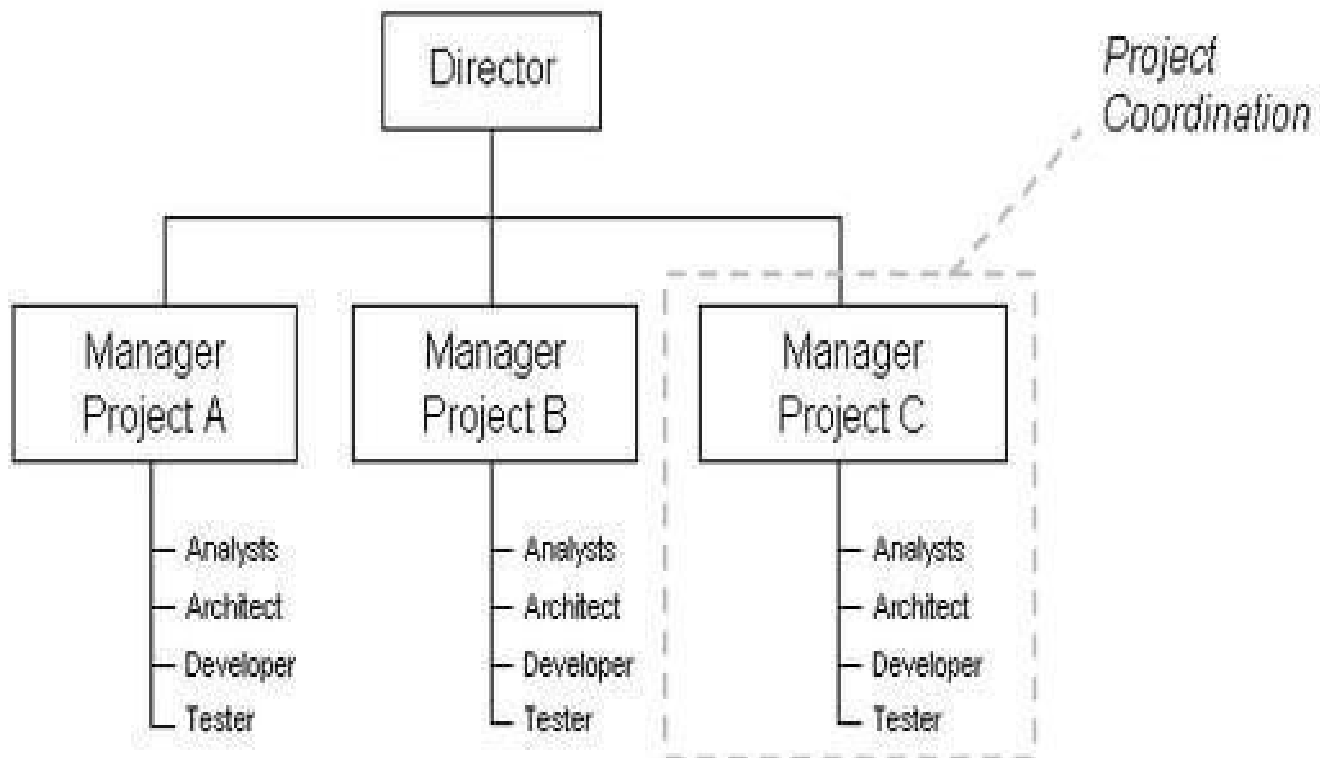
### **Demerits of Projectized Organization**

1. In projects, there is always a deadline and usually a tight schedule, which makes the work environment stressful.
2. If the organization has multiple projects, there can be poor communication among them, causing resources to be duplicated.
3. There is a sense of insecurity among the team members, because once the project is completed, they feel they may lose their jobs. Therefore, they tend to be less loyal towards the organization.

### **Appropriateness**

Highly dynamic and creative companies – such as software developers, architecture firms, special industrial equipment installation projects and event organization companies – typically use this structure. It's characterized by a series of specialized employees, ready to compose a work team as needed.

In each project, these collaborators report to a different leader. Once they complete the project, a manager assigns them a new project and leader.



## 5. Matrix structure

The matrix organizational structure is a combination of two or more types of organizational structures. The matrix organization is the structure uniting these other organizational structures to give them balance. Usually, there are two chains of command, where project team members have two bosses or managers.

Often, one manager handles functional activities and the other is a more of a traditional project manager. These roles are fluid and not fixed, as the balance of power between these two kinds of managers isn't organizationally defined.

### Merits of Matrix Organization

1. This structure can serve as a great boon for employees who are looking to widen their experience and skill sets. They can be part of many different aspects of various projects. It puts them in an environment that facilitates learning and gives them an opportunity to grow professionally.
2. Plus, the functional departments have highly skilled people, and those people are available to help the project team if needed. This creates a pool of valuable resources that can be dipped into and provides more flexibility to resolve issues without having to source new resources.
3. Furthermore, efficiencies are enhanced, and teams remain loyal because the structure provides a more stable environment where job security is strengthened.



People work harder and have more buy-in to projects when they feel the rug isn't going to get pulled out from under them.

## Demerits of Matrix Organization

1. There are a lot of managers in a matrix organizational structure, which is not to everyone's liking. And there can be a financial downside to that too. Having more people in managerial positions is going to have an impact on the organization's bottom line.
2. Team members can feel the strain of working in a matrix organizational structure, in that their workload can be heavy. Often, they're tasked with their regular assignments and then additional work, which can lead to burnout or some tasks being ignored.
3. Finally, there's the overall expense of the matrix organizational structure. This goes beyond having multiple managers but also the added expense of keeping on resources that might not be used all the time.

## Appropriateness

This structure is widely used both by companies that are constantly launching new products and **marketing campaigns**, for example, and by companies that have project-based structures, but also believe that functional supervision is necessary and important.

An example of a business area that would benefit from this type of organizational hierarchy is consultancy for ERP Software installation.

Each project must occur independently. However, it's important to have a senior manager of each department (finance, operations, HR, marketing, etc.) to check if everything is in accordance with the company's policies and level of services.

	Marketing	Operations	Finance	HRM
	<i>Marketing Manager</i>	<i>Operations Manager</i>	<i>Finance Manager</i>	<i>HR Manager</i>
<b>Project A (Team Leader)</b>	Marketing Team (A)	Operations Team (A)	Finance Team (A)	HR Team (A)
<b>Project B (Team Leader)</b>	Marketing Team (B)	Operations Team (B)	Finance Team (B)	HR Team (B)
<b>Project C (Team Leader)</b>	Marketing Team (C)	Operations Team (C)	Finance Team (C)	HR Team (C)
<b>Project D (Team Leader)</b>	Marketing Team (D)	Operations Team (D)	Finance Team (D)	HR Team (D)





