SUMMARY – ORGANIZATIONAL STRUCTURES

An organizational structure is a system which determines how the activities of a company or an organization are conducted. This organizational system also determines the flow of information between different levels in the organization. Usually, a good organization structure has well defined roles and employee jobs which integrate perfectly in the company’s existing system.

Functional Organizational Structure:

This is the most commonly used structure. The company is divided into various groups based on the type of skill. For example: Sales, Finance, Marketing, Human-Resource, Management, Inventory etc. Thus, people with similar skills are grouped together. Every group in this structure serves a purpose or a “function”. Each group is led by a functional manager. The teams formed are permanent and do not change with time or with the project at hand. I think that this type of organization would be appropriate in a product-based company. For example: a company that makes food products like snacks, frozen foods, condiments, beverages etc. Each function (product) can be a group in the organization structure.

Pros:

* Works well for centralized projects. Projects can be small to medium scale.
* It is easy to take advice from experts. For example: The functional manager is easily accessible to a member of that group and he/she can seek consultation at any time.
* Assembling team for reporting, meeting and problem resolution is easy.

Cons:

* Usually, the teams have no access to resources outside that functional group. The group is all they have, to work with.
* As the groups work independently, there might be a problem with integrating the solution at the end. Each team might come up with a solution that may or may not be compatible with the other.
* The project manager has no authority over decisions in this structure. The functional managers drive the entire process.
* The functional managers have resources limited and allotted to their own groups.

Divisional Organizational Structure:

Generally, in this type of an organizational structure the corporation is divided into units based on factors such as geographical location, product line, type of service. In this type of structure, the functional units are also split based on above factors. An example could be a Walmart-like superstore with branches all over the USA. This company can have a geographically divided organizational structure with separate sales finance, marketing, technical, management teams at every location of the store. This structure would be appropriate for such large companies with ample resources and distributed divisions.

Pros:

* Resources are dedicated and always available as there is no sharing between divisions.
* This structure can prove to be useful for research and development due to collaborative intra-division activities.
* Complete independence between divisions ensures full up time of the business or the company and easy to pinpoint problems.

Cons:

* Only works for large companies where each division can specialize on a product or a region.
* Strong competition between divisions can cause conflicts at upper levels of management.
* The project manager has a limited role in the activities of these divisions and is only a part-time member of the teams.

Project-based (Projectized) Organizational Structure:

As the name suggest, this type of organization is project oriented and depends on the type and nature of project at hand. Teams are assembled depending on the project requirements. These teams are temporary and are dismissed after project completion. The project manager has full authority and is always in control. He handles the role and duty delegation as well as presides over the schedule. A typical example would be any construction project. Teams are assembled after project details, requirements, locations and schedules are finalized. Everyone on the team reports to the project manager. This structure is appropriate for very large-scale projects.

Pros:

* Project managers only need to think about the project at hand and nothing else. This results in faster decision making.
* As everyone reports to the same authority (project manager), communication is easier.
* Resources are easier to allocate and consequently it is easier to schedule tasks due their availability.
* Provides a great environment for learning and gaining experience on project management skills of delegating roles and scheduling.

Cons:

* It can get expensive, as often, a company works on multiple projects, so having dedicated teams and resources for every project will be expensive.
* If a team is hired only for a project, completing the project might mean the team losing their job!
* This type of structures might have to deal with tight schedules and stressful work environments, as the project members are constantly trying to meet deadlines of the project.

Matrix Organizational Structure:

According to the PMBOK Guide, the matrix organization is a combination of the projectized and the functional organization structures. Thus, it has the characteristics of both these structures. Depending upon the involvement of functional and project managers, and sharing of available resources, this structure is further categorized into: Weak, Balanced and Strong matrix organization. The weak matrix is like a functional structure and the Strong matrix is like a projectized structure. The balanced matrix is the middle ground wherein the responsibilities are shared between the functional and project managers. As this structure is sort of a best of both worlds, it can be appropriate for almost all types of project. The skewness towards either weak or strong side will be deciding factor as to whether the choice is a success or failure.

Pros:

* Resource sharing is the highlight of this structure wherein valuable resources are shared between functional units and important projects.
* As the resources are shared, team members do not have to wait for new project tasks. They can get back to their functional tasks after completing project tasks.
* This ensures that employee time is utilized efficiently.

Cons:

* There can be conflict of authority between the functional and project manager.
* There is a question of whom should the team members report to?
* Stressful work environment for employees due to project tasks as well as functional tasks.
* Decisions are often delayed due to difference in opinions of both managers.