

- Outcome of the organising process
- It is the framework within which managerial and operating tasks are performed. It specifies the relationships between people, work and resources
- Effective structure will result in increased profitability of the enterprise
- Peter Drucker - organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and even destroy it

Span of Management

- Refers to the number of subordinates that can be managed effectively by a manager
- Helps in determining the levels of management
- Larger the span, lesser the number of levels in the organisation structure leading to a flat organisation

Functional Structure

- Grouping of jobs of similar nature under functional and organising these major functions as separate departments
- All departments in such organisation report to a coordinating head
- These departments can be further divided into sections, by grouping similar or related jobs



Functional Structure - Suitability

- Size of organisation is large generally with a single product or a small number of similar products
- Has diversified activities
- Operations requires high degree of specialisation

Functional Structure - Advantages

- Leads to occupational specialisation - emphasis is placed on specific functions. Promotes efficiency in utilisation of manpower
- Promotes control and coordination within a department because of similarity in the tasks being performed
- Helps in increasing managerial and operational efficiency and this results in increased profit
- Minimal duplication of effort which results in economies of scale and this lowers cost
- Makes training of employees easier as the focus is only on a limited range of skills
- Ensures that different functions get due attention

Functional Structure - disadvantages

- Ignorance of overall objectives of the firm as emphasis is on functional structure
- Problems in coordination as information has to be exchanged across functionally different departments
- Conflict of interests may arise when the interests of two or more departments are not compatible
- Lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view

Divisional Structure

- Departments created on the basis of products, territory or region
- Each unit – Divisional manager
- Each division divided into functional units



Divisional Structure – Suitability

- Large variety of products are manufactured using different productive resources
- High Growth prospects
- Organisations that want to diversify to different regions or products

Divisional Structure - Advantages

- Brings coordination as all activities related to one product are grouped under one division
- With more initiative & flexibility, faster decisions can be taken in the divisional structure
- Easy to fix responsibility and accountability – Division heads responsible for the profits and losses of their divisions
- Helps managers to develop varied skills related to product and facilitates managerial development

Divisional Structure - Disadvantages

- Conflict of interest may arise on allocation of funds & other resources
- Misuse of authority – greater autonomy to divisional heads
- Manager – focus on their objectives without thinking about organisational goals
- Duplication of physical facilities and functions leading to increased cost