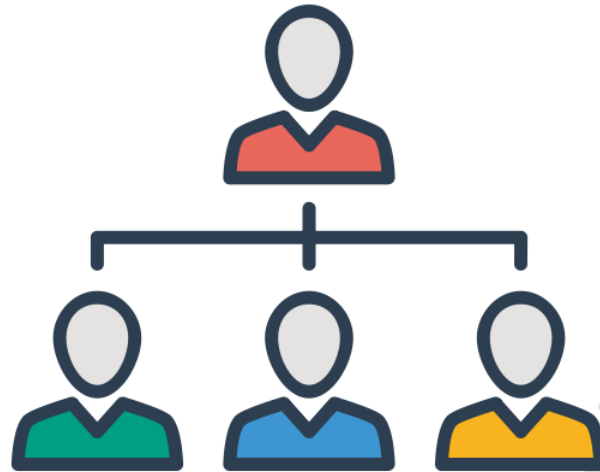


Organizational Structure



Organizational structure is the formal system of task and activity relationship so as to be clear to how people coordinate their actions and use resources to achieve organizational goals.

Organization structure is the pattern of Organizational hierarchy based on authority responsibility relationship.

According to **Lounsbury Fish**, “Organization Structure is more than a chart. It is mechanism through which management directs co-ordinates and controls the business. It is the foundation of management.”

Organization structure is one of the forces that affect the goal of the Organization. It is designed in such a manner as to serve as an instrument to accomplish the social goal. The extent to which an Organization is able to achieve its goal is, to a great extent, determined by its structure.

So, a structure is developed to give the shape to a tentative idea at the initial stage. In the beginning, the structure is very simple because the size of Organization is small. As the Organization expands, it becomes complex and needs planning and a systematic approach.

Features and characteristics of Organization Structure

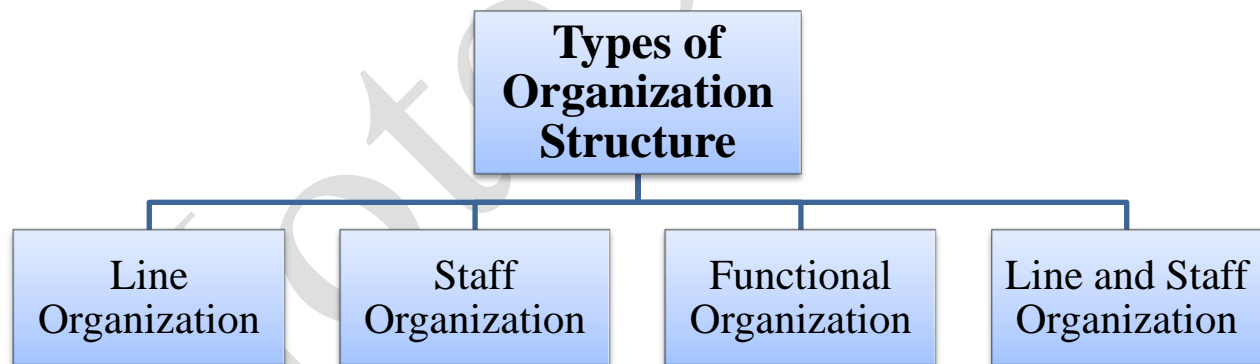
1. It facilitates co-ordination of Organizational activities and tasks.
2. It states the pattern of formal relationships and duties among people at different positions in the Organization.
3. In elaborates the hierarchical relationship among different levels of management within the Organization.

4. It facilitates the implementation of policies, practices, procedures, standards evaluation systems etc. that guide the activities and relationship among people in the Organization.
5. It states the activities and tasks assigned to different departments and people in the Organization.

Importance of Organization Structure

1. Structure organizes properly all the operations of business and ensure better flow of communications.
2. A clear structure makes it easy to check the responsibility of each part of business.
3. A clear idea about the working style of an enterprise can be known from organizational structure.
4. Organizational structure allows correlation and co-ordination among human, physical and financial resources.
5. It clearly defines the levels of management and span of control under each level.

Types of Organization Structure



1. Line Organization

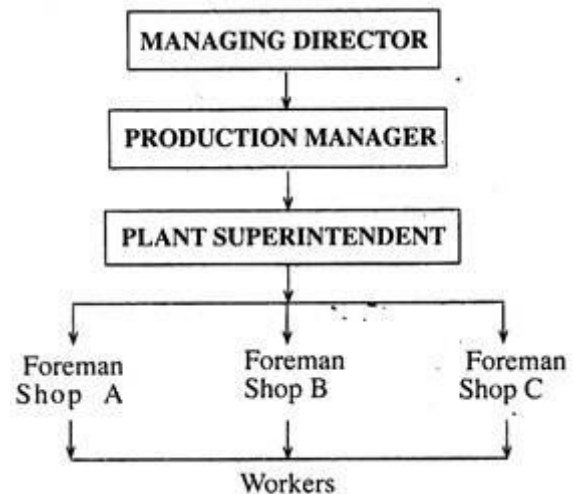
Line Organization is the oldest and simplest form of organization structure. It is also known as 'Military Organization', because it originated in the army. In line organization, authority flows from the man at the top to the lowest man vertically.

The business unit may be divided into departments headed by the departmental managers. A departmental head receives orders from the General Manager and passes them on to his immediate subordinates. The subordinates similarly communicate the orders to the workers. The

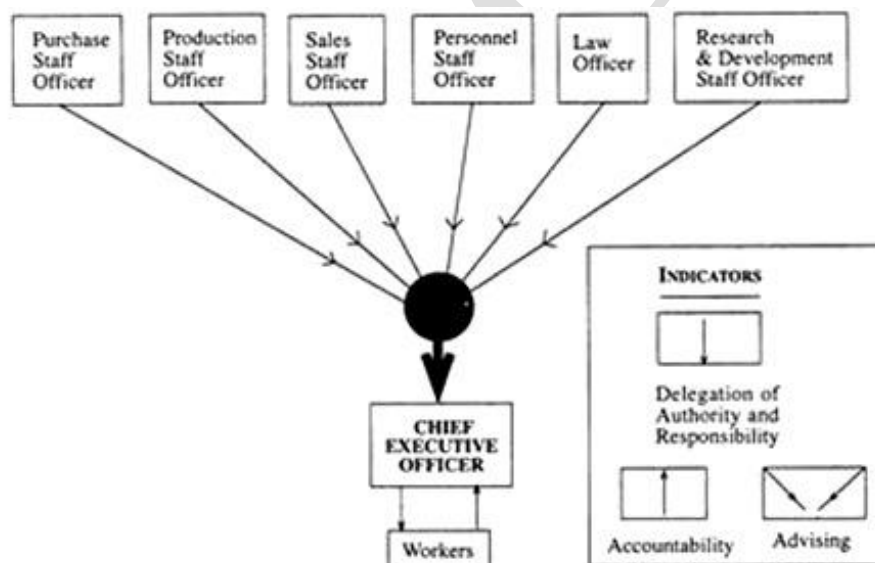
various persons heading the different departments are perfectly independent of each other and enjoy equal status.

In case the manager of one department wishes to issue guidance or directions to a subordinate in another department, he will go up the line and convey the message to the top manager who will then pass it down the line in the other department.

For instance, if the Finance Manager of an enterprise has to convey a message to a Superintendent in the production department, he will have to send the same upwards to the General Manager who will then pass it down to the Production Manager. And the Production Manager will further pass it down to the Superintendent concerned.



2. Staff Organization



Staff Organization means that type of organization in which some experts are employed to execute the advisory functions. These experts act as the advisors of the organization. The staff persons have no authority to command and provide directions. They only give advice to the line manager in various organizational aspects.

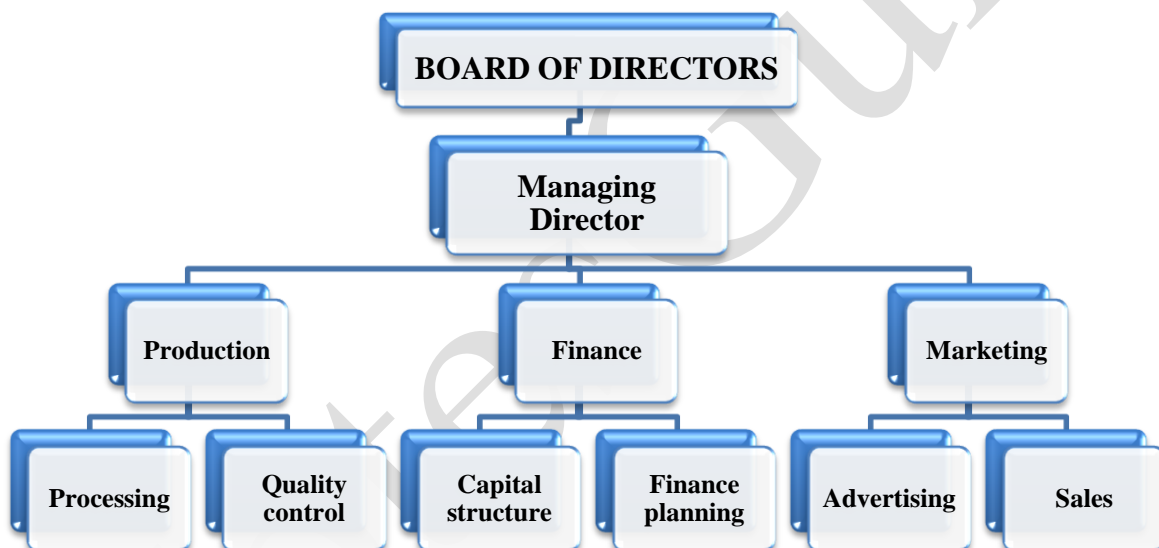
The experts who are employed for such advice are known as 'Staff Officers', like Purchase Staff Officer, Production Staff Officer, Sales Staff Officer, Personnel Staff Officer. The staff officers

advise the line managers as and when required, but they bear no liability or responsibility of executing or getting work done. The managers may follow their advice or may not follow them.

The staff organization is auxiliary in nature. In such type of organization structure, benefits of specialization can be obtained. So the efficiency and effectiveness of the line managers are increased. However, it is an expensive process of organization.

3. Functional Organization

The 'Functional Organizations' are based on the concept of 'Functional Foremanship' suggested by F. W. Taylor, a pioneer in Scientific Management. In functional organization, the organization is divided into a number of functional areas. Each function is managed by a functional expert in that area.



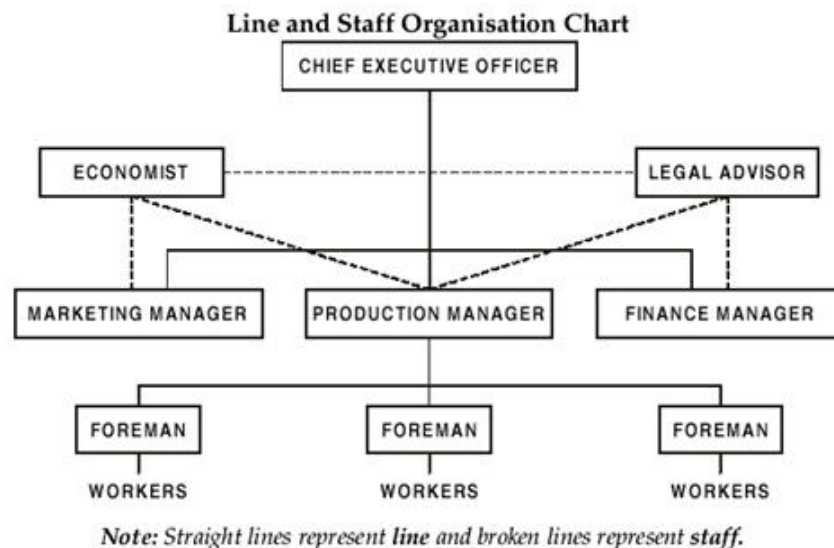
Every functional area serves all other areas. For example, the personnel department recruits employees, arranges for their training, and deals with the people required for all the other departments. The purchasing department handles purchases for the entire concern.

Every functional manager enjoys functional authority over the subordinates in other departments. Within a functional department every operating executive receives orders from several functional specialists. For example, each foreman receives orders from the factory superintendent, chief engineer, chemist, etc.

4. Line and Staff Organization

Line and Staff Organization is a combination of Line Organization and Staff Organization Structure. In such organization, line authority flows in a vertical line in the same way as in the

line organization and, in addition, staff specialists are employed to advise the line managers for efficient performance of the special functions.



The staff expert is advisory in nature and has only the authority to recommend. He has no power over the line positions. His main function lies in rendering advice, assistance and making provision of specialized service. Such type of organization structure is more popular especially in large enterprises.

Organizational Design

An organizational design is the process by which a manager selects and manages elements of structure so that an organization can control the activities necessary to achieve its goals.

Importance of Organizational Design

1. **Dealing with Contingencies:** The structure of an organization should be designed in such a manner so as to increase control over its environment.
2. **Competitive Advantage:** In the modern competitive age, every Organization wants to design its structure in such a way as to have the maximum sustained competitive advantage. Competition allows a company to develop a business strategy to out-perform competitors by producing better products and services.
3. **Diversity in Workforce:** The organization's structure should be designed in such a manner so as to make the optimal use of talent of a diverse workforce with different culture backgrounds. They should be encouraged to work together.

4. **Innovation and Efficiency:** Those Organizations that produce goods and services as per the expectations of the people are successful. The design and use of new and more efficient Organizational structure is equally important in producing quality goods and services. Organizational design plays a crucial role in innovation and search.

There are several factors that affect the relationship between organizational design and structure:

- Organizational size
- Organizational life cycle
- Strategy
- Environment
- Technology