

Organization Structure

The organization structure consists of the various jobs, departments and responsibilities in the enterprise coupled with the definition of the extent of control, management and authority.

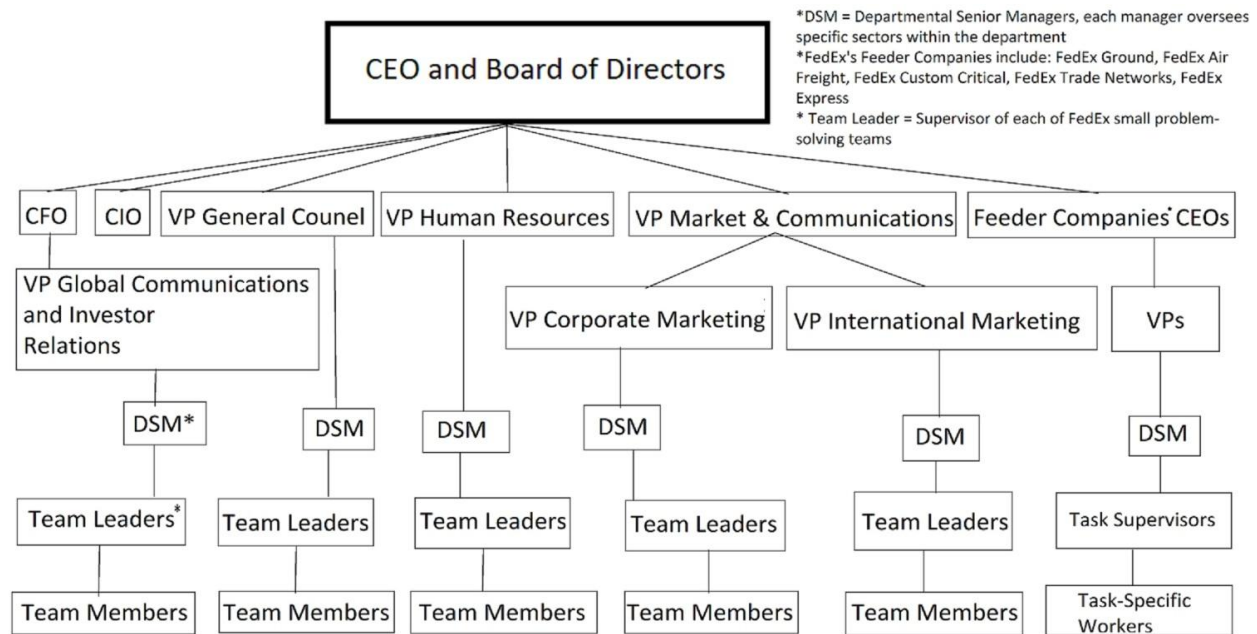
It also consists of the relationships between various members of the enterprise. All in all, an organization structure is a framework within which managerial and operating tasks are performed. This is because it defines the extent of management or the span of management.

An organization is a social unit of individuals that is designed and managed to achieve collective goals. As such organizations are open systems that are greatly affected by the environment they operate in. Every organization has its own typical management structure that defines and governs the relationships between the various employees, the tasks that they perform, and the roles, responsibilities and authority provided to carry out different tasks.

Organizational structure defines the manner in which the roles, power, authority, and responsibilities are assigned and governed, and depicts how information flows between the different levels of hierarchy in an organization.

In other words, it specifies authority by clearly stating the subordinates to a superior and to whom the superior is a subordinate himself. In effect, this highlights the levels of management in an enterprise and allows for correlation and coordination among individuals.

Also, an efficient organizational structure facilitates smooth business operations. Lastly, it also facilitates coordination and regulation of responsibilities within the enterprise. Consequently, this enables the enterprise to function as an integrated unit.



Types of Organization Structure

On the basis of nature of activities performed, the organization structure is classified into two:

- Functional Structure
- Divisional Structure

A. Functional Structure

As the name suggests, in a functional structure grouping is based on functions. This means that similar jobs are integrated into functions and major functions are further categorized as departments which are handled by respective coordinating heads. These departments can further consist of sections. Note that functional structure is a basic and simple organizational structure.

Advantages

- Since functional structure revolves around functions, the division is such that an employee performs a specific set of tasks as a part of his routine. Effectively, this creates room for job specialization and efficient use of manpower.

- Again, as similar tasks are grouped together into a function and emphasis is laid on specific functions, this structure facilitates coordination and control.
- In a functional structure, we keep similar tasks together and different tasks away. This implies that there is no scope for duplication. Effectively, this lowers cost.
- As the focus is mostly on a specific and limited range of skills, training of employees becomes easier.
- This also leads to an increase in managerial efficiency which in turn increases profit margins.
- Lastly, it ensures that all the diverse tasks get a fair amount of attention.

Disadvantages

- A major drawback of the functional structure lies in its definition itself. As stated already, it puts emphasis on division based on functions of an enterprise. Now as it stresses on the diverse functions, it generally leads to an increased concern on interests of departmental interests rather than the interests of the organization as a whole. Technically, this can lead to the emergence of functional empires and even dwindling levels of concern for organizational objectives.
- Again, as the departments are completely different in operations from each other, there is a big barrier to communication between them.
- There may arise a conflict of interests among these departments which are profusely looking to fulfill the individual departmental interests. Such conflicts can hinder the growth of an enterprise. Further, such conflicts can further arise in the absence of clear separation of responsibility.
- When individuals always deal with specific tasks their perception narrows down and they don't appreciate the varying point of views. Consequently, they remain fixated on specific ideas and fail to develop as individuals. All in all, this leads to inflexibility.

In the light of above-mentioned facts, we can observe that functional structure is suitable for an enterprise which is large, has a large number of activities to perform and looks for a high degree of specialization.

B. Divisional Structure

Divisional structure, as the name suggests perceives an enterprise as the integration of independent divisions. We must note that such a structure is adopted in large and complex enterprises which handle diverse products. This is because although an organization produces a homogeneous set of products, it can deal in a wide variety of differentiated products. Again, the organization does this to deal with complexity.

We must remember that in such a structure, the organization is divided into separate business units or divisions which are a bit independent and multifunctional in their operations. Each unit has a divisional manager at the apex that looks after all the operations within a division.

Further, each division performs most of the functions like production; finance etc. to achieve a common goal. In a nutshell, each enterprise is divided into various divisions which further adapt the functional structure. For example, the Reliance group has various product lines like clothing, communications, electronics etc.

Advantages

- Here each divisional head looks after all the aspects of the division which is his responsibility. As a result of this, instead of fixation on specialization the divisional head develop various skill sets which ultimately make him a suitable candidate for higher job positions.
- Again each division is the complete responsibility of the division head. Consequently, the division head looks after all the operations within the division. Hence, this helps in performance measurement. Additionally, the division head is responsible for the poor performance of a division. This also facilitates quick remedial actions.
- Each division functions as a self-sustaining and autonomous unit. Accordingly, it promotes flexibility, initiative and faster decision making.

- A notable advantage of the divisional structure is that it promotes expansion. Evidently, if an enterprise tries to step into a new product's market, it can simply do so by adding a new division for that product line without interfering with the existing structure.

Disadvantages

- Divisional structure promotes the emergence of autonomous divisions within an enterprise. Consequently, a division might try to compete with other divisions to maximize its profits and hence cause hindrance to the growth of the bigger entity that is the organization.
- Similar sets of functions are performed across all units. In that case, there is a duplication of functions which lead to an overall increase in expenditure.
- Lastly, this structure gives a lot of power to a divisional manager. This may result in the rise of an independent manager who might hold the division's interests in higher regard than the organizational interests.