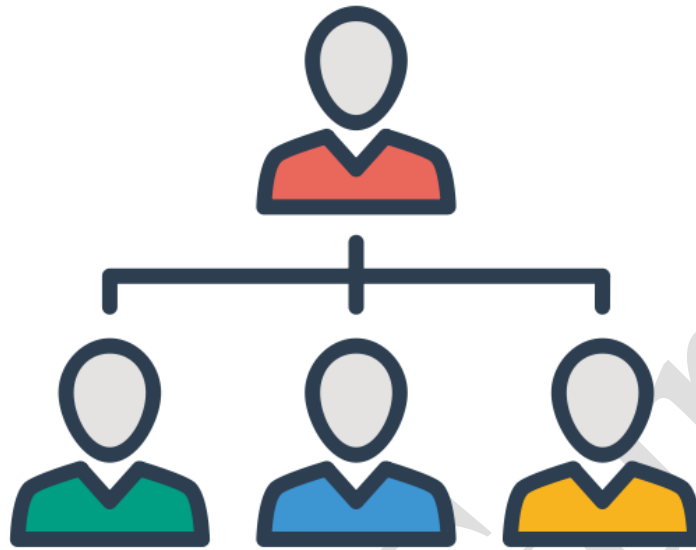


# Organizational Structure



An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.

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.”

“An organization is a group of individuals coordinated into different levels of authority and segments of specialization for the purpose of achieving the goals and objectives of the organization.” - **Kossen**

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 of a Good Organization Structure

1. An organization structure should be basically **simple**.
2. The structure should be **adaptable** enough so that it provides the opportunity to accommodate the changes where these are needed.
3. There should be **clear lines of authority** running from top to bottom or in horizontal directions.
4. **Application of ultimate authority or ultimately responsibility** for the accomplishment of the total work assigned.
5. There should be **proper delegation of authority** at various levels of the organization
6. The principles of **unity of command and direction** should be followed.
7. There should be **minimum managerial levels**.
8. **Line functions should be separated** from staff functions and adequate emphasis should be placed on important staff activities.
9. A **link should be provided** between the regular management team and members of the board and shareholders.

### Elements of Organizational Structure

#### 1. Nature of the Objectives

The objectives of an enterprise govern the selection of persons with appropriate skills and equipment capable of delivering the goods. The objectives, thus, determine the basis of the organization structure. For example, an organization structure of an industrial concern cannot be the same as that of a religious or governmental institution.

#### 2. Operative Activities

An individual in an enterprise may negotiate a sale to a customer; another may be engaged in assembling the parts of a motor car; and a third may be collecting market data or cost information. The operative activities and the inter-relations that exist among different tasks have an important bearing on the structure of an organization.

### **3. Technology**

The organization structure of an enterprise depends upon the type and nature of technological process adopted for the production. Therefore, technology is a factor for consideration in determining the structure of an organization.

### **4. Sequence of Tasks**

The nature of technology often dictates the sequence of tasks to be performed and human relationships are required to be adjusted according to this sequence of tasks. This sequence of tasks also acts as a major determinant to influence the structure of the organization.

### **5. Limitations of Skill and Working Capacity**

Individuals in an enterprise differ in their skills and abilities. These individual differences affect the tasks to be assigned to an individual and, as such, the structure is required to be adjusted taking into account the limitations of human skill and ability.

### **6. Managerial Functions**

The managerial functions at one level or department may be different from that of other level or department. Therefore, the structure of organization is to be devised to maximize effective inter-relationships at different management levels so that it can facilitate the attainment of objectives by the effective efforts of the subordinate employees.

### **7. Size and Scope**

The smaller the firm, the more informal and loose becomes the interpersonal contacts and relationships. But they will be otherwise in the case of big concerns. So, the size of the enterprise and its scope of performance have an effective influence on the organization structure.

### **8. Strategy**

After considering the organization structure of various enterprises the management thinkers have come to the conclusion that the strategy plays a special role in determining the outline of authority and flow of communication in an organization.

### **9. Social Needs**

The social needs of an individual such as - status, recognition, sense of belonging, opportunity for development of abilities or the satisfaction of ego need- require that they should be given due weight for their fulfillment within the organization. The structure of an organization cannot ignore these social needs.