

Types of organization structures

Every company needs an organizational structure, it basically defines the hierarchy of the company. In simple words, it defines who works for whom and who reports to who.

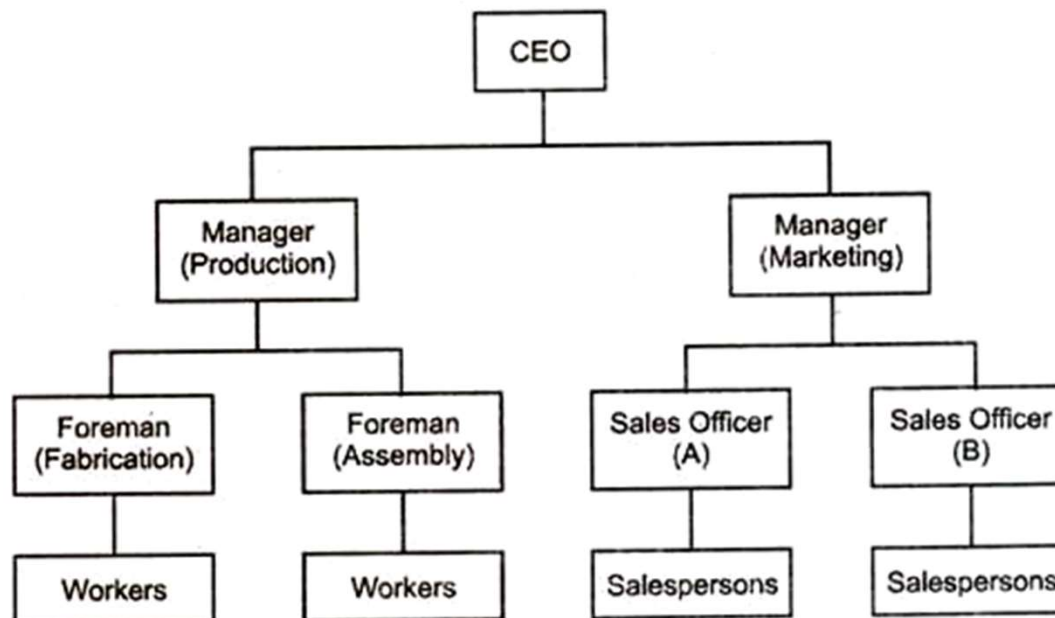
The formal organisation is usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to every manager.

Formal organisational structures are categorized as:

- (i) Line organisational structure.**
- (ii) Staff or functional authority organisational structure.**
- (iii) Line and staff organisational structure.**
- (iv) Divisional organisational structure.
- (v) Project organisational structure.
- (vi) Matrix organisational structure and**
- (vii) Hybrid organisational structure.

1. Line Organizational Structure:

- A line organization has only direct, vertical relationships between different levels in the firm.
- There are only line departments-departments directly involved in accomplishing the primary goal of the organization.
- For example, in a typical firm, line departments include production and marketing. In a line organization authority follows the chain of command.



Advantages:

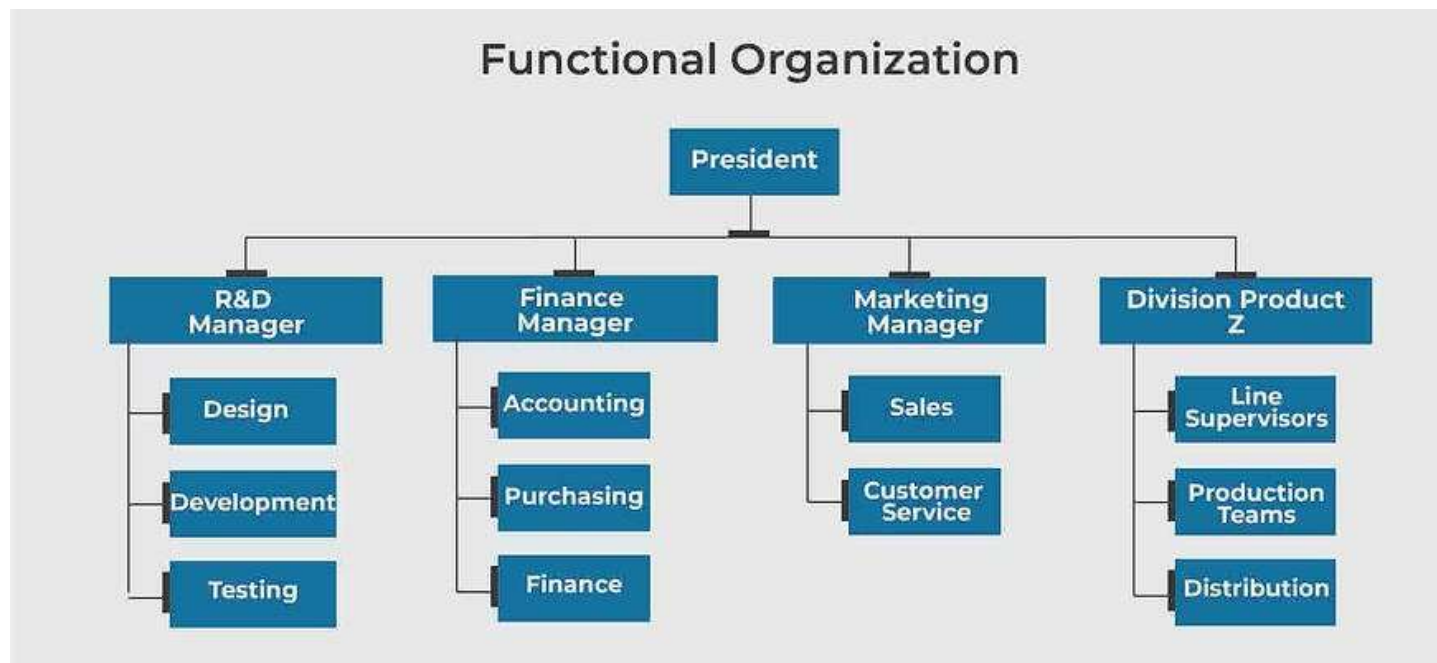
1. Tends to simplify and clarify authority, responsibility and accountability relationships
2. Promotes fast decision making
3. Simple to understand.

Disadvantages:

1. Neglects specialists in planning
2. Overloads key persons.

2. Staff or Functional Authority Organizational Structure

- In a functional organization structure, the entire organization is divided into smaller groups or departments based on specialized functions.
- Since the work is divided into smaller sectors, so is the management. The management is also sub-divided according to the type of work being done.
- So every department has their own head or executive. And the reporting structure can also differ from department to department.



Advantages

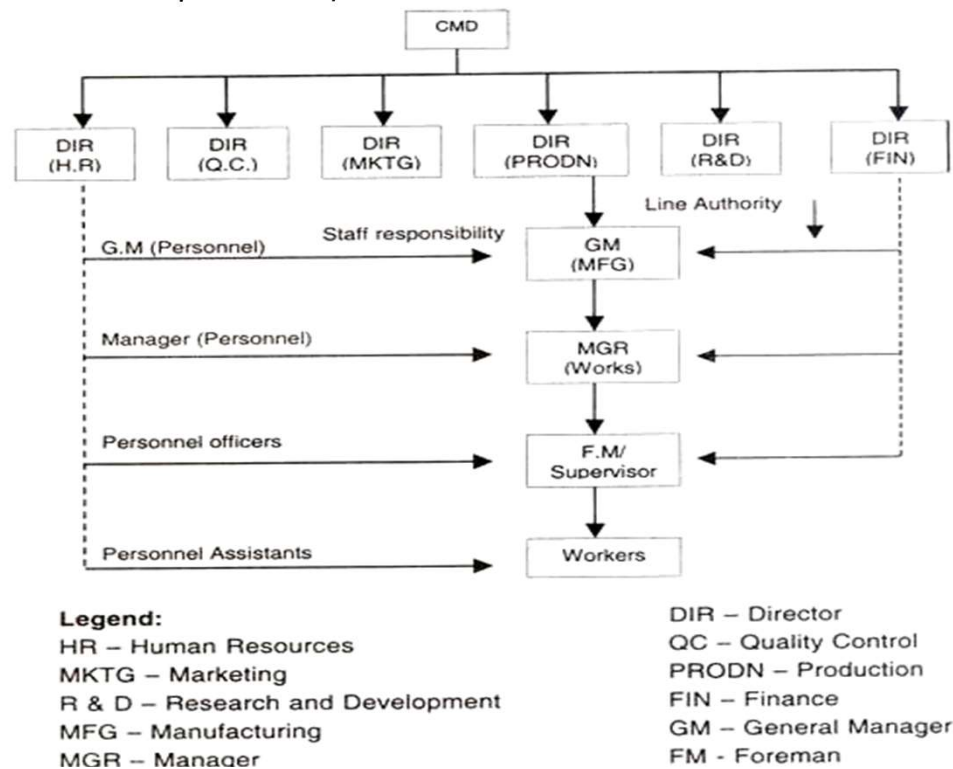
- The executive or the team leader has the knowledge and experience of that particular field.
- Because the employee has expertise in that particular field, the work is more efficient and precise. There are fewer mistakes.
- Since all team members come from similar backgrounds it allows them to share ideas and come up with solutions. **There is a sharing of knowledge, which is always beneficial.**
- The employees also having a clear idea of the hierarchy of the firm. They need not report or answer to several managers
- The employees feel secure in their work. They see that their work and efforts is not going unnoticed. This sense of security helps them perform better.

Disadvantages

- The work can be quite one dimensional. After a while, the employees may start feeling monotony or boredom. The lack of new challenges can make them unenthusiastic for the job at hand.
- In this structure, the manager must take care of the appraisal system. If the correct approach is not taken then conflicts may arise between the employees
- This form of organization requires a high degree of specialization
- If there is a necessary change of personnel it can disrupt the whole system and its balance. it is quite a rigid structure, not leaving a lot of scope for adaptation
- The employees never gain any knowledge or skills outside their own department. This can cause difficulties in inter-departmental communication

3. Line and Staff Organisational Structure:

- Most large organisations belong to this type of organisational structure.
- These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers.
- Such organisations have both line and staff departments.
- Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).



Advantages:

1. Committee decisions are better than individual decisions
2. Better interaction between committee members leads to better co-ordination of activities
3. Committee members can be motivated to participate in group decision making.
4. Group discussion may lead to creative thinking.

Disadvantages:

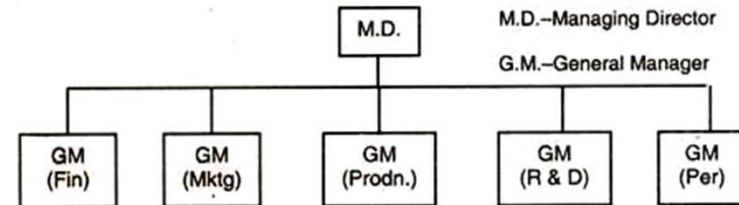
1. Committees may delay decisions, consume more time and hence more expensive.
2. Group action may lead to compromise and indecision.
3. 'Buck passing' may result.

4. Divisional Organisational Structure:

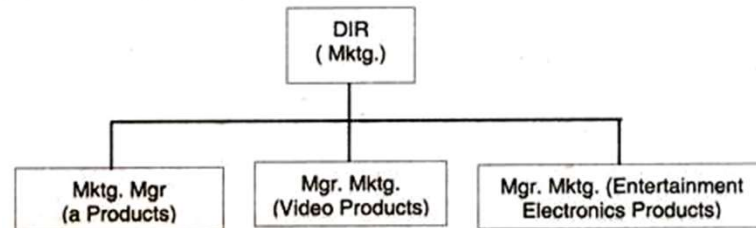
In this type of structure, the organisation can have different basis on which departments are formed.

- (i) Function,
- (ii) Product,
- (iii) Geographic territory,
- (iv) Project and
- (iv) Combination approach.

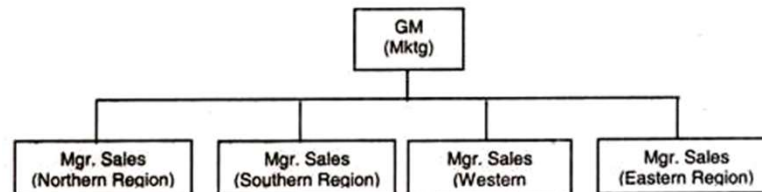
(a) Departmentation by Function



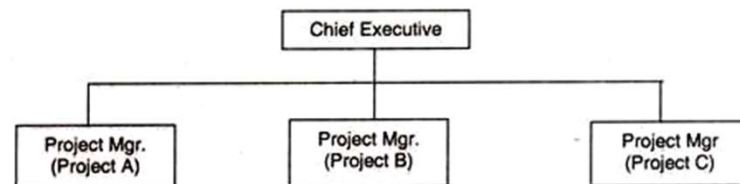
(b) Departmentation by Product



(c) Departmentation by Geographic territory



(d) Departmentation by Project



(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

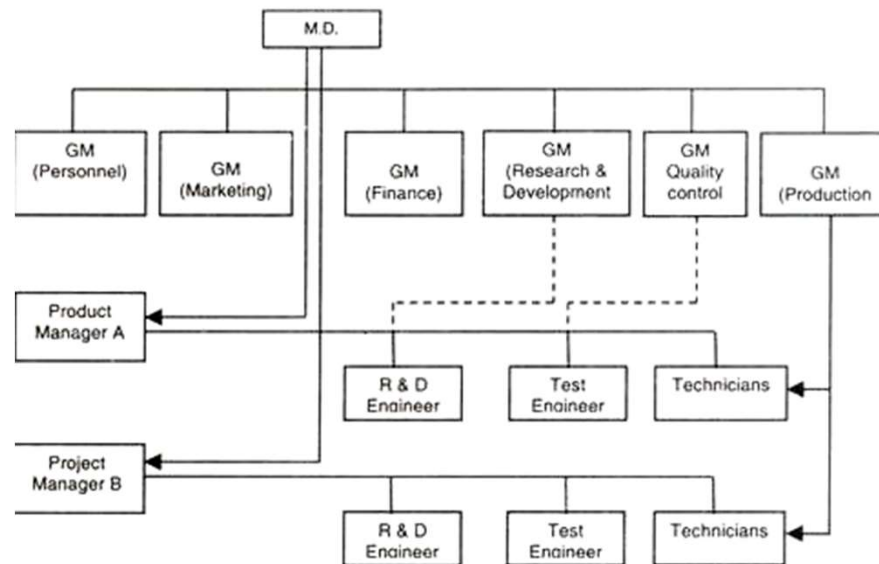
5. Project Organisational Structure:

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships.

In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards.

The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists.

The cope up with such situations, project organisations and matrix organisations have emerged.



- A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.
- The project team focuses all its energies, resources and results on the assigned project.
- Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project.
- Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

6. Matrix Organisational Structure:

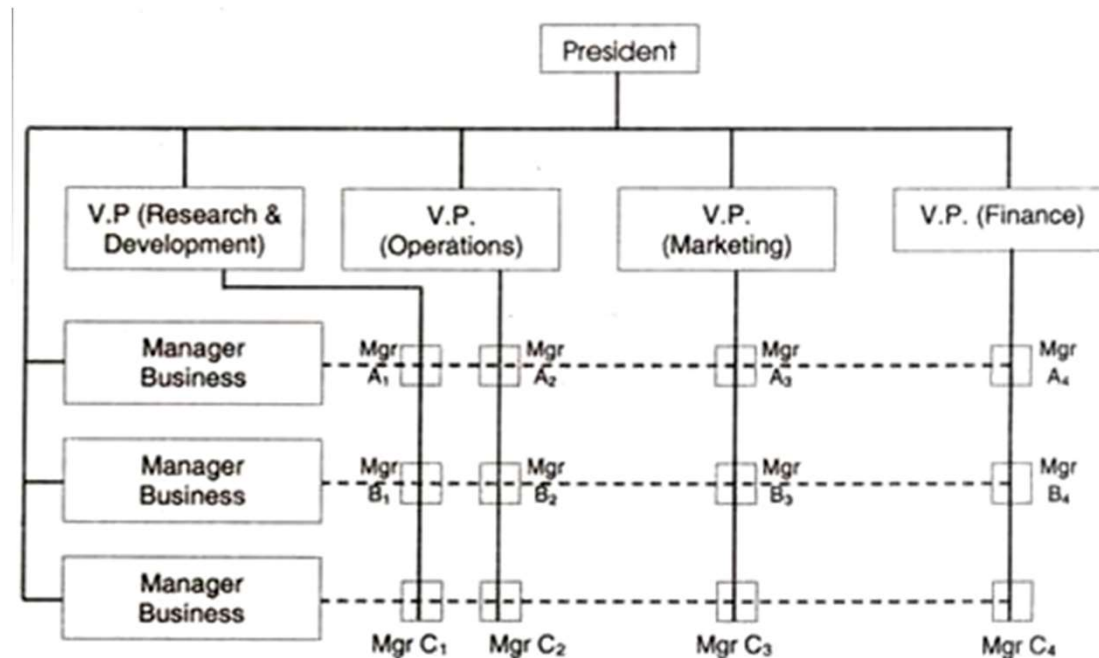
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation

Advantages:

1. Decentralised decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.

Disadvantages:

1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.



7. Hybrid Organisational Structure:

This type of structure is used by multinational companies operating in the global environment.

This kind of structure depends on factors such as degree of international orientation and commitment.

Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters.

The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

