

ORGANIZATION STRUCTURE

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization.

Significance of Organization Structure

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

PRINCIPLES OF ORGANIZATION STRUCTURE

Modern organizational structures have evolved from several organizational theories, which have identified certain principles as basic to any organization structure.

a) Line and Staff Relationships: Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.

b) Departmentalization: Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.

c) Span of Control: This refers to the number of specialized activities or individuals supervised by one person. Deciding the span of control is important for coordinating different types of activities effectively.

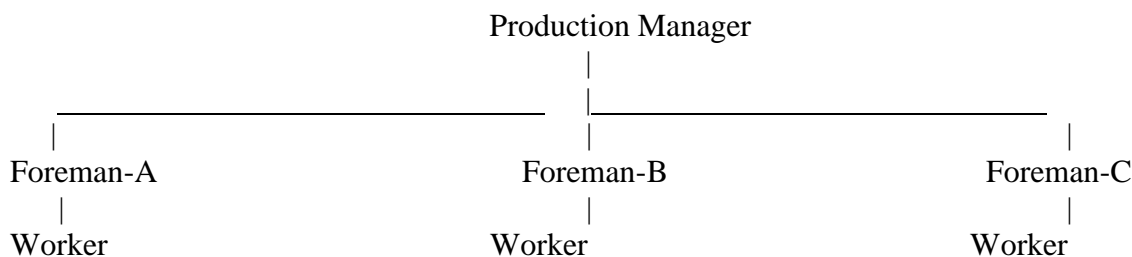
d) De-centralization and Centralization: De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and de-centralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control.

TYPES OF ORGANISATION STRUCTURE

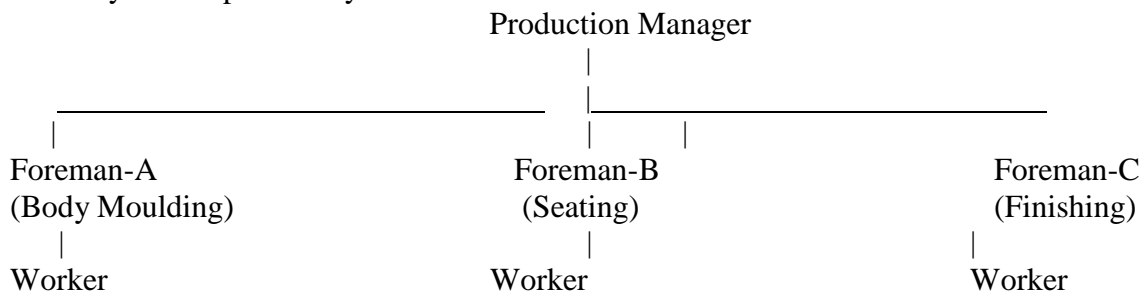
LINE ORGANISATION STRUCTURE

It is also known as scalar, military, or vertical organisation and perhaps is the oldest form. In this form of organization managers have direct responsibility for the results; line organisation can be designed in two ways.

1. PURE LINE ORGANISATION: Under this form, similar activities are performed at a particular level. Each group of activities is self – contained unit and is able to perform the assigned activities without the assistance of others



2. DEPARTMENTAL LINE ORGANISATION: Under this form, entire activities are divided into different departments on the basis of similarity of activities. The basic objective of this form is to have uniform control, authority and responsibility.

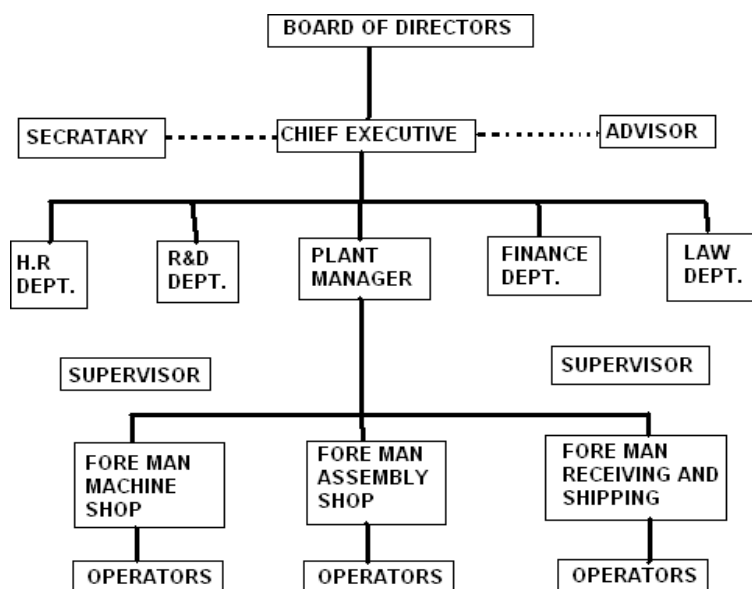


Merits	Demerits
1) It is simple to understand 2) Easy supervision & control 3) Quick decisions 4) It sets clearly the direct lines of authority and responsibility of a line manager	1) Lack of specialization 2) Low – Morale 3) Autocratic approach 4) Overburden to manager

LINE AND STAFF ORGANISATION: It refers to a pattern in which staff specialists advise line managers to perform their duties. When the work of an executive increases its performance requires the services of specialists which he himself cannot provide because of his limited capabilities on these matters. Such advice is provided to line managers by staff personnel who are generally specialists in their fields. The staff people have the right to recommend, but have no authority to enforce their preference on other departments.

FEATURES:-

- This origin structure clearly distinguishes between two aspects of administration viz., planning and execution.
- Staff officers provide advice only to the line officers; they do not have any power of command over them.
- The staff supplements the line members.



MERITS

1. It enhances the quality of decision
2. Greater scope for advancement
3. It relieves the line managers.
4. Reduction of burden.

DEMERITS

1. It may create more friction or Conflict between line and staff
2. It is expensive
3. It creates confusion

FUNCTIONAL ORGANISATION STRUCTURE: It is the most widely used organization structure in the medium and large scale organizations having limited number of products. This structure emerges from the idea that the organization must perform certain functions in order to carry on its operations. Functional structure is created by grouping the activities on the basis of functions required for the achievement of organizational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature & importance.

FEATURES:

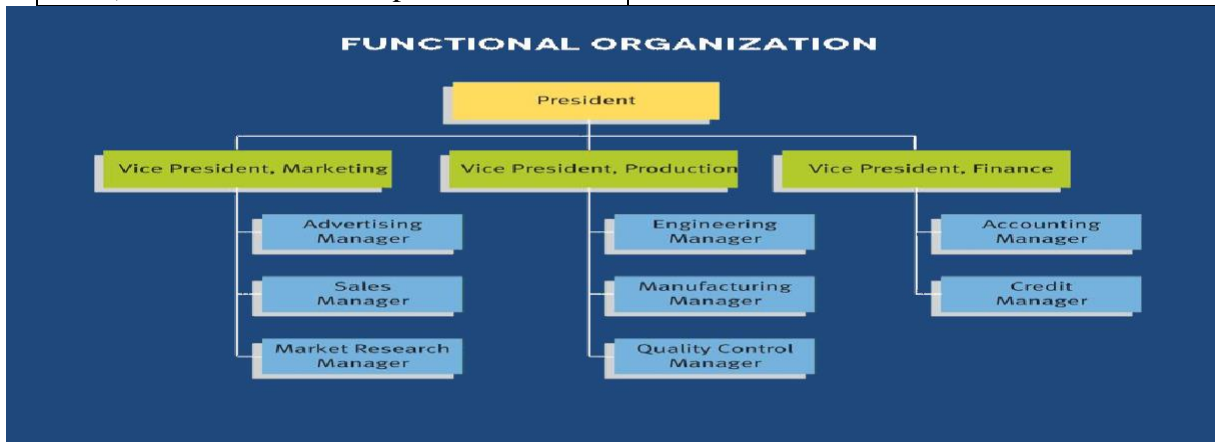
- 1) The whole activities of an organisation are divided into various functions
- 2) Each functional area is put under the charge of one executive
- 3) For any decision, one has to consult the functional specialist

MERITS

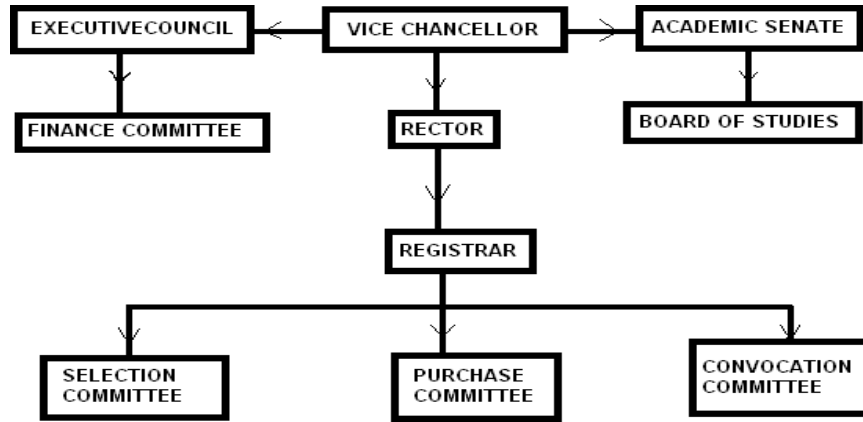
- 1) Planned specialization
- 2) Facilitates large scale production
- 3) Disciplinary controls are well defined
- 4) Offers clear career paths

DEMERITS

- 1) calls for more coordination
- 2) no clear line of authority
- 3) slow decision making
- 4) lack of responsibility



COMMITTEE ORGANISATION: A committee does not represent a separate type of organization like line and staff, or functional. It is rather a device which is used as supplementary to or in addition to any of the above types of organizations. A committee may be defined as a group of people performing some aspects of Managerial functions. Thus, a committee is a body of persons appointed or elected for the Consideration of specific matters brought before it.



MERITS	DEMERITS
1. Group Deliberation and Judgement: 2. Fear of Authority 3. Representation of interested Group 4. Coordination of Functions 5. Transmission of Information	1. High Cost in Time and Money 2. Indecisive Action 3. Compromising Attitude 4. Dominance of a Few 6. Splitting of Responsibilities

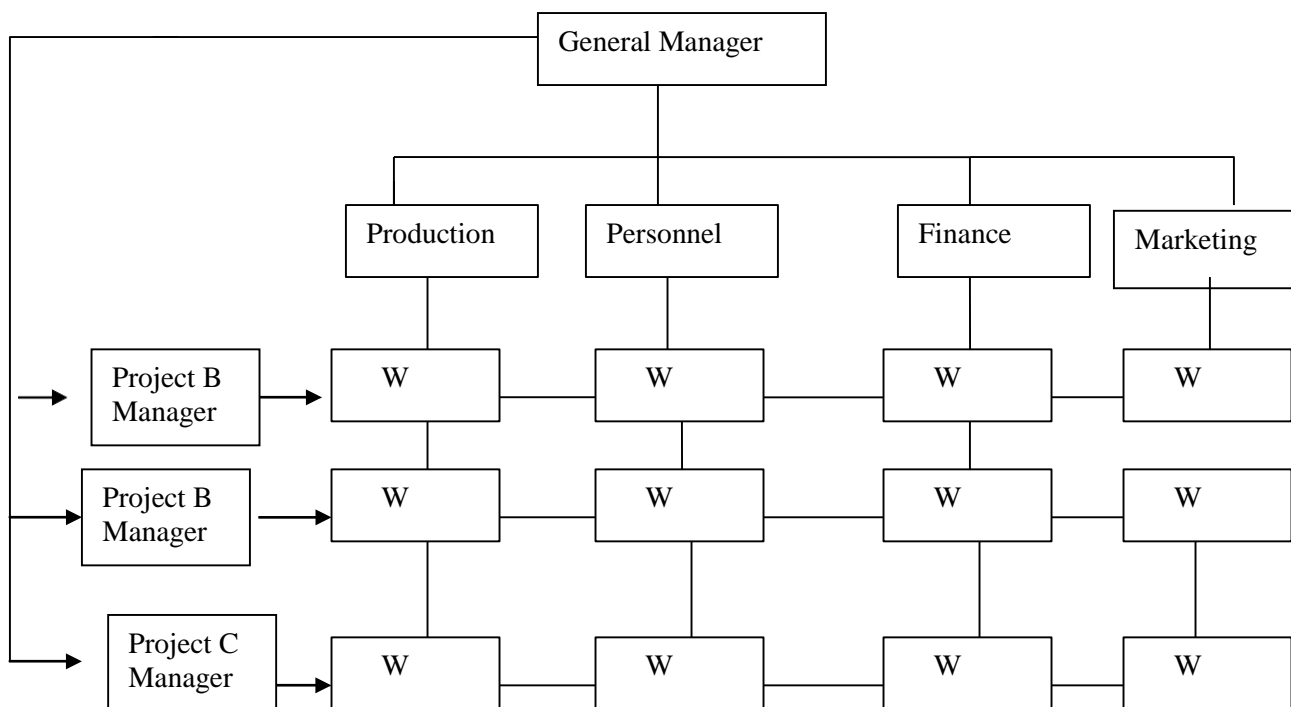
MATRIX ORGANISATION: It is also called project organization. It is a combination of all relationships in the organization, vertical, horizontal and diagonal. It is a mostly used in complex projects. The main objective of Matrix organisation is to secure a higher degree of co-ordination than what is possible from the conventional, organizational structures such as line and staff. In matrix organization structure, a project manager is appointed to co-ordinate the activities of the project. Under this system a subordinate will get instructions from two or more bosses, Viz., administrative head and his project manager.

Merits

1. It offers operational freedom & flexibility
2. It focuses on end results.
3. It maintains professional Identity.
4. It holds an employee responsible for management of resources.

Demerits:-

1. It calls for greater degree of coordination,
2. It violates unity of command.
3. Difficult to define authority & responsibility.
4. Employee may be demotivated.



FORMAL ORGANIZATION

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organization is conscious common purpose and comes into being when persons—

- Are able to communicate with each other
- Are willing to act and Share a purpose.

The formal organization is built around four key pillars. They are:

Division of labour

- Scalar and functional processes
- Structure and
- Span of control

Thus, a formal organization is one resulting from planning where the pattern of structure has already been determined by the top management.

Characteristic Features of formal organization

- Formal organization structure is laid down by the top management to achieve organizational goals.
- Formal organization prescribes the relationships amongst the people working in the organization.
- A formal organization is bound by rules, regulations and procedures.
- In formal organization, position, authority, responsibility & accountability of each level clearly defined.
- Organization structure is based on division of labor and specialization to achieve efficiency in operations.
- In a formal organization, coordination proceeds according to the prescribed pattern.

Advantages of formal organization

- The formal organization structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.
- A formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.
- The organization structure enables the people of the organization to work together for accomplishing the common objectives of the enterprise

Disadvantages or criticisms of formal organization

- The formal organization does not take into consideration the sentiments of organizational members.
- The formal organization does not consider the goals of the individuals. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

INFORMAL ORGANIZATION

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organization according to its environment.

Characteristics features of informal organization

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- The inter-relations amongst people in an informal organization cannot be shown in an organization chart.

Benefits of Informal organization

- It blends with the formal organization to make it more effective.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- An informal organization has a powerful influence on productivity and job satisfaction.
- Informal organization helps the group members to attain specific personal objectives.

Basis of Comparison	Formal Organization	Informal Organization
Formation	Planned and deliberate	Spontaneous
Purpose	Well-set goals	Social interaction
Structure	Well structured	Unstructured
Nature	Official	Unofficial
Focus	Positions	Persons
Leadership	Superior	Anyone
Source of Power	Delegated	Given by group
Guidelines for behaviour	Rules and Procedures	Group norms
Sources of control	Reward/Punishment	Sanctions