

ORGANIZATIONAL STRUCTURE

There are three key components of organizational structure

1. Formal reporting relationships, span of control
2. Communication and coordination mechanism
3. System Design

Let's have a look of each component to understand well "The organizational structure".

1. Formal reporting relationships:

This simply includes who reports to whom, the procedures and formality in reporting and levels of reporting. This can be simply seen from the organizational chart and also extracted from the policy handbooks of company.

2. Communication and coordination mechanism:

There are two types of coordination and communications in any organization, horizontal and vertical. Horizontal communication is concerned with the communication between departments and individuals or teams. Vertical communication is related with the information exchange from top to down and vice versa. There are certain characteristics of vertical and horizontal information linkages and intensity of each shows the dominance of particular type of communication mechanism.

For example in any organization where there are multiple teams and they don't follow any formal reporting procedures to communicate with each other then most probably they are using horizontal communication linkages.

3. System Design:

This is the most important and sometimes confusing component of organizational structure. This is concerned with the design of organizational communication and grouping of individuals.

This is further divided into three parts to better understand.

- i. Required work activities
- ii. Reporting relationships
- iii. Departmental grouping

i. Required work activities

This is related with the core processing of organization, the work required for an organization. Without determining the nature of work, design cannot be implemented.

For example, in a manufacturing concern all activities are FUNCTIONS, in service organization, every activity is OUTPUT.

ii. Reporting relationships

This will align the work activities with the information linkages along with information needs. This will also help in developing design of organization. For example, in manufacturing concern where every activity is FUNCTION, the reporting relationship will determine the information linkages needs. It will tell how every FUNCTION will be reported and to whom, how will be communicated and to whom. Every FUNCTION may be dependent upon the previous FUNCTION so in this case communication flow will be horizontal (i.e. from one FUNCTION to another).

iii. Departmental grouping options

This all depends upon the reporting relationships needed. Multiple options are there, Functional, Divisional, Matrix, Geographical and Horizontal.

a. Functional design:

Where the individual grouping is on the basis of functions, for example, all marketing people are working in one place, all finance people are working in another place and they do not interact with each other.

b. Divisional design:

Where a group is people work together and don't interact with another group. For example, an organization manufacturing shampoo and skin care products and all functions of shampoo manufacturing are handled separately from the skin care products.

c. Matrix design:

Where divisional and functional are both used as usually this is not possible to use a pure divisional or functional design.

d. Geographical design:

Design made on the basis of customers and area. Can use both divisional and functional design in it

e. Horizontal design:

Where the core processes are divided. For example a company is dealing in multiple products including dairy products, cooking oils, and infant food. Every product has multiple processes including product planning, R&D, manufacturing, testing and then

selling. Every process has owner and that owner takes care of all processes and reports to CEO of the company.

f. Hybrid design:

Designs discussed above do not exist in real world in pure form so organizations use hybrid designs that combine different designs discussed above.

Adapted from Richard L. Daft (2007)

Note:

Please read your recommended book for in-depth knowledge and use books as well as surf internet to see the different designs.