

An Introduction to Organizational Structure

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ABSTRACT

Every organization needs proper structuring and designing in order to make its functioning smooth and efficient. The structure may, however, depend on several factors like the type of business, number of employees, kind of product or services that organization is offering etc. In this article, we would be studying some of the basic types of organizational structures. The organizational structure allows proper flow of information and workflow within the organization.

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INTRODUCTION

Laying a strong foundation is extremely important to build a strong house. Similarly, a good organizational structure is the key to a successful business. Organizational structure determines the roles n responsibilities, what people do, who the decision makers are, the hierarchy etc. Structure helps influence performance, relationships of people and jobs and the effect of a good structure on the employees can be summarized as follows:

- Employees' Interpersonal relationship
- Teamwork and interdependence of multiple teams
- Performance of the employees and the organization
- Work ethics
- Employee motivation and training programs

There are various types of organizational structure an organization can adopt for it to carry out smooth functioning of the processes. Some of the most common ones have been discussed here.

TYPES OF ORGANIZATIONAL STRUCTURE

Functional Organizational Structure

It is the most common type of

organizational structure. It compartmentalizes a firm on the basis of various functions performed in an organization e.g. the sales employees are put in the sales division, Customer relations people employees are put in a different group, marketing people are put in the marketing department. Functional structure turns out to be less efficient if a firm has multiple products and can hinder connectivity between functions.

Product-based Division

This type of structure works best for organizations where there are multiple products. For example, each program has its own marketing team, sales team, customer service team etc. In a set-up like this, the turn-around time for delivery becomes short and the control over the process is better compared to a spread-out structure. This allows to bring a product to the market fast. However, this may result in duplication of the resources for multiple products.

MARKET-BASED ORGANIZATIONAL STRUCTURE

This type of structure caters to the specific market segments. It is an industry-oriented structure where the divisions are made based on the knowledgebase about the various

segments. This type of structure is useful where an organization has products specific to particular market segments. Same type of work being carried out across teams may lead to talent duplication.

GEOGRAPHICAL DIVISIONAL STRUCTURE

It is required in an organization which has products and services that need up-close monitoring and interaction with the clients. This type of structure enables the employees to stay close to the production areas or to the clients, hence, promote better yield and performance.

Geographical divisions often lose control of the headquarters as it may be located hundreds of kilometers away, hence, the management may become difficult.

PROCESS-BASED STRUCTURE

Process-based structure involves various processes e.g. Customer feedback, Supply chain, Product delivery etc. All the processes involved are interdependent. This type of structure improves the efficiency and ensures timely delivery.

CIRCULAR STRUCTURE

Circular structure has the leaders in the center and lower-level employees on the periphery. It is a modern structure which doesn't follow the conventional chain of command, instead, they spread their vision with the employees. There's a free flow of information and ideas within such structure, unlike a conventional set up where there's too much compartmentalization within the organization restricting communication and interaction among individuals. However, circular structure may get a little confusing for the employees as it lacks a well-defined hierarchy and a proper chain of command.

Usually, organizations don't just adopt a single type of structure. There may be amalgamation of different types of structures

borrowing different elements from one or more types of organizational structures.

IMPORTANCE OF ORGANIZATIONAL STRUCTURE

- A well-defined organizational structure is important to ensure smooth functioning of the processes and compartmentalizes all the tasks and functions.
- The organizational structure defines the hierarchical structure and decides different levels of authority and chain of command.
- It promotes a goal-oriented environment and defines tasks to be carried out by specific people.
- An organization needs an impeccable design to integrate employees with the systems and business processes. A well-designed organization helps meet the company's goals and objectives.

TOOLS TO DESIGN AN ORGANIZATION

Strategy

Determining the values, vision, mission, objectives of an organization is all a part of strategy. Taking the decision on the kinds of products and services to be launched in the market after a thorough market analysis

Structure

Structure defines distribution of power within the organization. The structure of an organization depends on various factors, e.g. the type of product or services, market size, geographical location etc.

Processes

This section involves all the decisions like standard protocol, procedures, performance parameters etc.

Rewards

The decisions related to what reward options to be adopted in order to motivate the employees and appreciate hard work

and good performance like how much bonus to be given to whom, promotions, incentives etc.

People

Here, the decisions related to the human resources are taken. The trainings to be conducted for the employees, hiring etc. are covered under this section.

CONCLUSION

“Good organization structure does not by itself produce good performance, but poor organization structure makes good performance impossible no matter how good the individual managers may be” (Drucker, 1989). There is no single magic formula to building a sturdy organizational structure, in fact, depends a lot on the nature and composition of an organization. The structure of an organization can greatly influences the performance and resists the organization to the volatility and fluctuation in the market.

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