



Organizational Structure

A2 Business

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Organizational Structure

- Organizational Structure is a graph that shows the distribution of employees in different levels of management.
- Organizational structure is shown through the organizational chart.

Why is Organizational Structure important?

- So that employees can be divided in different layers and levels of management and between different departments so that everyone exactly knows what they are supposed to do.

Different Types of Organizational Structures

- 1. Hierarchical Organizational Structure
- 2. Matrix Structure

Hierarchical Organizational Structure

- It is when the employees of an organization are divided in different levels or layers of management.
- The person / people at the highest level of hierarchy have the most authority and people on lower levels are expected to obey the orders

coming from higher levels of hierarchy.

Chain of Command

- Chain of Command is the process through which orders flow from higher to lower levels of management.

Longer and Shorter Chain of Command

- Taller / longer chain of command is when there are more levels of management in any organization.

- Shorter chain of command is when there are fewer levels of management.

Pros and Cons of Taller Chain of Command

- Taller chain of command results in more accountability as any employee is answerable to all the levels of management higher than his / her.
- However more levels of management can be problematic since it can cause confusion especially if orders are coming from different levels. Moreover more levels mean more documentation which can be

inefficient and take workers away from more important tasks.

- Slower decision making process because it will take longer with more levels of management for the information to flow from higher to lower levels of management.

Span of Control

- Span of Control refers to the number of people that are reporting to any employee. Or in other words it is the number of subordinates working under any employee.

Wider versus Narrow Span of Control

- Wider span of control is when more employees are working under any senior and narrow is when fewer employees are working under any senior.

Pros and Cons of Wider Span of Control

- With more subordinates the burden on any single employee will be less and so on.
- However it would be much more difficult to keep a track of all employees performance if it is a wider span of control.

Matrix Structure

Unlike hierarchical structure which contains levels of management, in Matrix Structure employees are divided in teams and each team is working on particular project. And in most cases, all team members are on the same level.

Benefits and Disadvantages of Matrix Structure

- More coordination and team spirit among employees because there is no hierarchy.
- However some people who generally avoid work might be able to

survive on the effort of other employees without them taking up any serious work or responsibility. There is relatively less accountability on team which is a bad thing.

- It might be really hard to find a replacement for any team member because no one else in the organization would know as much about the project as much the former employee knew.

Types of Managers – Line versus Staff Managers

- Line Manager – the senior to whom an employee directly reports to.

- Staff Manager – the senior whom an employee does not directly report to but that person is higher in the hierarchy of the organization.

Centralization versus Decentralized

- Centralization is when most of the business decision making is done at higher levels of management.
- Decentralization is when subordinates are given authority to make some of the business decisions.

Centralization

- More accountability of employees.
- More standardized policies – all departments have standard operating procedures that employees are expected to follow.
- Decision making might be faster because less time is spent in collecting employees opinions etc.

Decentralization

- Higher employees motivation because they feel more valued by being

given the authority to make their decisions.

- However the decision making process might be slower because of time consuming process of taking subordinates inputs etc.

Delaying

- Delaying: is when one complete layer or level of management is removed.
- Advantages: the business is expected to significantly save its costs.

- Disadvantages: more workload for remaining levels of management

What factors determine the type of organizational structure?

- 1. *The leadership style that is prevalent in the company:*** if the leader is more autocratic in nature he / she would most probably prefer to use hierarchical organizational structure and on the other hand democratic leaders are more likely to use matrix or group based organizational structures.
- 2. *The trend in the industry:*** following the system including organizational structure of your competitors.

3. *The size of the business:* the larger organizations are more likely to have hierarchical structure or else it will be difficult to manage the company but smaller companies can have more group based structure. **4. *The nature of work:***