INTRODUCTION

An organization is a well-coordinated social unit of two or more people with a desire to achieve a common goal or collective goals

An organizational structure is a framework that outlines the lines of authority and communication in the organization

Importance of organizational structures:
⚡ Facilitates coordination of the activities conducted by the firm
⚡ A formal outline of a company's structure makes it easier to add new positions in the company
⚡ Improves operational efficiency by providing clarity and guidance to employees as it relates to their actions and lines of communication

CLASSIFICATION OF ORGANIZATIONS

Functional Organizational Structure

Definition: a common type of organizational structure in which the organization is divided into smaller groups based on specialized functional areas, such as accounting, purchasing or marketing.

Features:	i. Well-defined communication channels which are usually downward.
	ii. Clearly outlined chain of command and supervisory roles
	iii. Utilises job specialization and departments have well-defined roles
	iv. Structure is less flexible and so it relies heavily on formal procedures

CLASSIFICATION OF ORGANIZATIONS (cont)

Who is Fredrick W. Taylor?	He is the father of the Scientific Management Approach, which resulted in the functional organization structure

Advantages: **i.** Slow decision-making process ensures that all of the variables are carefully considered before they are acted upon, thus saving the organization money, time and effort which could be invested elsewhere
ii. Segregating the workforce according to function clarifies organizational responsibility and allocation of tasks. This tends to eliminate duplication of assignments that waste time and effort.
iii. Easier for upper-level management to delegate operational functions to lower-level management
iv. Increase in accountability as there are clear lines of management.
v. Grouping employees by specialization ensures a dependable level of departmental competence, thus improving the efficiency of the department and the quality of work produced by the department

CLASSIFICATION OF ORGANIZATIONS (cont)

Disadvantages: **i.** Specialization can result in the individual or group becoming complacent and losing interest due to the work becoming monotonous, thus, it will be harder to motivate them.
ii. Co-ordination and control may become too stringent and lead to low morale. Having a common organizational purpose improves employee morale and performance and is an important predictor of organizational success. When each group of specialists in a functional organization is relatively isolated, the common bond that emphasizes a single overarching organizational purpose is almost inevitably weaker than in an organization where different kinds of employees regularly interact.
iii. The structure may become too rigid, hence, it may be unable to adapt to the constantly changing environment.
iv. The decision making process may be very slow, especially for very centralized structures.
v. The different functional groups may not communicate with each other which could potentially result in decreased flexibility and innovation

Matrix Organizational Structure

Definition: they are unambiguous and relatively permanent (or stable) organizational models, in which each element in the organization reports to a higher element and concludes with the CEO or Board of Directors at the top.

CLASSIFICATION OF ORGANIZATIONS (cont)

Features:	i. Combines elements of the functional, product and possibly geographical organizational structures. ii. It is usually used where the environment is rapidly changing and there is a need for effective coordination to combat the situation. iii. This structure depicts two lines of authority: ⚡ vertical authority which concentrates on the major functional areas of the firm ⚡ horizontal lines which show the lines of authority across the different divisions, regions or departments iv. Employees are generally accountable to more than one boss v. There are usually two separate chains of command vi. there are two kinds of managers: functional managers and project managers vii. the balance of power between functional and project managers isn't organizationally defined

CLASSIFICATION OF ORGANIZATIONS (cont)

Pros:	✔ Flexible and adaptable to the changing environment ✔ Employees are more involved in the operation of the firm ✔ Project management trains managers to become leaders in the functional organization ✔ Facilitates efficient use of limited human resources
Cons:	★ Teams may substitute the firm's objectives for theirs as decentralization occurs ★ Requirement for high degree of cooperation between functional and project management ★ This structure may lead to conflicts among departments as they compete for scarce resources ★ There is always a possibility of the problem of dual loyalties

Network Organizational Structure

Definition: a decentralized organizational structure in which managers coordinate and control relations that are both internal and external to the firm

CLASSIFICATION OF ORGANIZATIONS (cont)

Pros:	✔ Minimizes administrative costs ✔ Faster decision-making process since there is a reduction in hierarchical structure ✔ This network structure is more agile than other structures. Because it is decentralized, a network organization has fewer tiers, a wider span of control, and a bottom-up flow of decision making and ideas. ✔ Communication is less siloed and flows freely, possibly opening up more opportunities for innovation.

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CLASSIFICATION OF ORGANIZATIONS (cont)

Cons:	★ This more fluid structure can lead to a more complex set of relationships in the organization. For example, lines of accountability may be less clear, and reliance on external vendors can be quite high. These potentially unpredictable variables essentially reduce the core company's control over its operational success ★ Can be time-consuming especially when there are regular meetings
Features	i. This organizational structure links a number of separated organizations with a desire to achieve a common goal through their interactions ii.The network can be in the form of a joint venture agreement or where some of the major functions of the firm are subcontracted to other firms. These firms are linked by and to a compay which serves as the headquarters or hub

CLASSIFICATION OF ORGANIZATIONS (cont)

Team Organizational Structure

Definition: an organizational chart that groups employees on the same employment level into teams that perform specific job functions.

Features:	**i.**These teams are usually cross-functional and are composed of employees from different functional departments. **ii.**Team members are answerable to both their functional managers and the team leader

CLASSIFICATION OF ORGANIZATIONS (cont)

Pros

✔With no need to climb a lengthy chain of command to receive approval for ideas or changes to the business model, a team-based structure can make the necessary changes to quickly react to consumers' ever-changing tastes and preferences, as well as, allow for a more rapid response to different market conditions.

✔A team-based lateral organizational structure can eliminate traditional scalar chains of command, which can cause delays and worker frustration with cumbersome communication lines. A team can more effectively raise concerns to management without appearing to be disgruntled or unnecessarily upset, and without opening themselves as individuals to repercussions by management for the issues raised by their team. This can make individuals more willing to speak out about problems or inefficiency in the workplace.

✔Removes departmental barrier while facilitating intradepartmental relationship

✔By spreading the responsibility among team members rather than having a single individual in charge of decision-making or management of a business area, decisions can be reached by a quorum and can take place rapidly as team members can be assigned to research areas of need, implement changes, or work on other problems while other team members continue to focus on the current situation or business practice. Decisions made by a team are sometimes better thought out and more effectively implemented than decisions made by a single individual.

CLASSIFICATION OF ORGANIZATIONS (cont)

Cons:	★This structure may lead to conflicts among departments as they compete for scarce resources.
	★There is always a possibility of the problem of dual loyalties
	★Teams may substitute the firm's general objective(s) fr theirs as decentralization occurs
	★A lot of time is spent in meetings

CLASSIFICATION OF ORGANIZATIONS (cont'd)

Product Organizational Structure

Definition: a framework in which a business is organised into separate divisions, each focusing on a different product or service and functioning as an individual unit within the company

Features:	i. Each product is assigned the main functional departments of the organization
	ii. Each product unit is accountable for profit in that division
	iii. Allows for delegation of responsibility by top management

CLASSIFICATION OF ORGANIZATIONS (cont'd) (cont)

Pros:	✔ Can respond to market changes more flexibly and quickly
	✔Focus is placed on the product's performance and level of profit-ability
	✔ Diversification in the product offerings of the firm is encouraged
	✔Each product division is given more autonomy to achieve divisional and organizational objectives
Cons:	★ Can nurture negative rivalries among divisions
	★ Risk of over-emphasizing divisional, rather than organisational goals
	★ Duplication of functional areas and resources, example a different sales team for each division
	★ The success of the product is highly dependent on the people with direct contact with the product

Geographical Organizational Structure

Definition: this framework which is typically used by multinational corporations, is an organisation structure where company hierarchy is divided on the basis of geographic location in which company operates which is headed by a centralized head office.

CLASSIFICATION OF ORGANIZATIONS (cont'd) (cont)

Features:	i. Each region is a profit centre
	ii. The different regions are arranged on a functional or product basis.
	iii. Regions are allowed some amount of autonomy in the management of their operations.
Pros:	✔ It will be easier for organisations to track profits within regions and can focus on them as each region has different profit margins, revenues and sales practices.
	✔Each region has responsibility for profit generation
	✔The organization is presented with local opportunities which may not otherwise be available
	✔ The firm can respond quickly to local environmental change
Cons:	★ There is duplication of functional groups and resources across regions
	★ Poor co-ordination across regions can hurt the entire organization
	★Competition for corporate resources may lead to conflict

Virtual Organizational Structure

Definition: An organization consisting of networks of geographically dispersed employers and employees that combine their human resources, assets and ideas to produce a service or product.

CLASSIFICATION OF ORGANIZATIONS (cont'd) (cont)

Features: **i.** Heavy reliance on a centralized database that uses communication technologies.
ii. Minimal physical structure
iii. The stakeholders within a virtual organization may not meet face to face for a while, if ever at all. Instead they communicate via the Internet to receive their assigned tasks and send their reports once their tasks are completed.
iv. Very few physical assets
v.Heavy reliance on a network of part-time self-employed workers who are connected electronically
vi. require firms to be much more dependent on one another than they have been in the past, demanding unprecedented levels of trust.

Pros: ★Minimal overhead costs, as products are often outsourced
★Access to worldwide expertise in order to produce high-quality goods and services, without having to meet physically.
★Enables a company to manufacture and distribute products without the hindrances of organizational boundaries or location.

Cons:
✔ Virtual organizations can be very complex and problematic.
✔ Communication in the virtual office may be difficult as people are working within different time zones.
✔It can be difficult to build a corporate culture, as employees and employers may be from different cultures across the world.
✔Close monitoring of external suppliers is required.
✔ Heavy reliance on external organizations to provide high-quality goods in large quantities
✔Lack of job security as the services of the employees might be sub-contracted

CENTRALIZATION AND DECENTRALIZATION

Centralization: A process where the concentration of decision making is lies in the senior management's hands. All subjects and actions at the lower level are subject to the approval of top management. There is minimal delegation of responsibility

Advantages of centralization: ✔In a centralized organization, decisions are made by a small group of people and then communicated to the lower-level managers. The involvement of only a few people makes the decision-making process more efficient since they can discuss the details of each decision in one meeting.
✔The standardized procedures and better supervision in a centralized organization result in improved quality of work. There are supervisors in each department who ensure that the outputs are uniform and of high quality.
✔There are less extensive planning and reporting procedures
✔Facilitates easy control and coordination of policies

CENTRALIZATION AND DECENTRALIZATION (cont)

Disadvantages of centralization:
★The senior management may become over-burdened with their workload and may have to work long hours
★Employees become loyal to an organization when they are allowed personal initiatives in the work they do. They can introduce their creativity and suggest ways of performing certain tasks. However, in centralization, there is no initiative in work because employees perform tasks conceptualized by top executives. It limits their creativity and loyalty to the organization due to the rigidity of the work.

★ Dictatorship: An employee is always expected to work according to what has been dictated to him. No employee at the subordinate level is given the authority to take a decision on a particular issue, in the absence of the lead. This causes psychological reluctance and the employee sees no growth or motivation within the corporation and hence results in him being disloyal towards the Company.

Decentralization:	Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except those which can only be exercised at central points.

Features of a decentralized organization:
A decentralized organization is often separated into divisions, with some amount of autonomy,however, working towards the fulfillment of the organization's goals

CENTRALIZATION AND DECENTRALIZATION (cont)

Advantages of a decentralized organization:

⚡Workload of senior management is decreased as the workload of the firm is dispersed among departments and to different individuals

⚡May improve the level of motivation among employees

⚡Firms can respond to changes quicker

Disadvantages of decentralization	✔Decentralisation becomes useless when there are no qualified and competent personnel.
	✔Under decentralization, it is not possible* to follow uniform policies and standardized procedures. Each manager will work and frame policies according to his talent.
	✔Decentralization of authority creates problems of co-ordination as authority lies dispersed widely throughout the organization.

FACTORS AFFECTING THE CLASSIFICATION

Size of the firm: As firms increase in size it may be necessary to upgrade or downgrade their organizational structure

FACTORS AFFECTING THE CLASSIFICATION (cont)

The business cycle: Organizational structural choices are also dictated by the life-cycle stage of your business. In many instances, companies that are in the beginning stage of their development tend to concentrate power and authority in the hands of the founder, and on a small group of trusted advisors. Many companies at this stage don't have a formal design, because business owners haven't mastered which factors influence organizational structure. However, as companies move into a growth phase, control often shifts from the upper tier of management to a more pyramid-like structure, in which authority is granted throughout the various levels.

Business strategy and objectives: By aligning your strategy with the organization's most important objective(s), they will maximize their chances for sustained success.

The business environment: The environment is the world in which the organization operates, and includes conditions that influence the organization such as economic, social-cultural, legal-political, technological, and natural environment conditions.