

ORGANIZATIONAL STRUCTURE

Elements of Organizational Structure

Organizational structure pertains to “the context of work roles and functions that help shape and support employee behavior” (Neck, Houghton, & Murray, 2017, p. 1241). This is often depicted through an organizational chart by showing the lines of reporting of an organization’s personnel. Below are the representations of organizational structures. It can be observed that as more employees are involved in an organization, the more complex the structure becomes (Colquitt, Lepine, & Wesson, 2017).

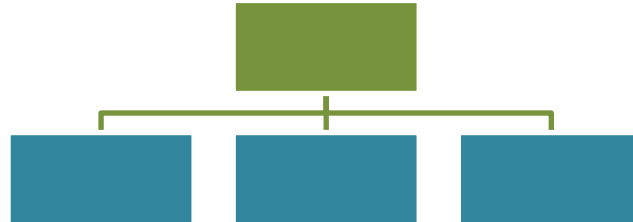


Figure 1. Representation of a simple organizational structure

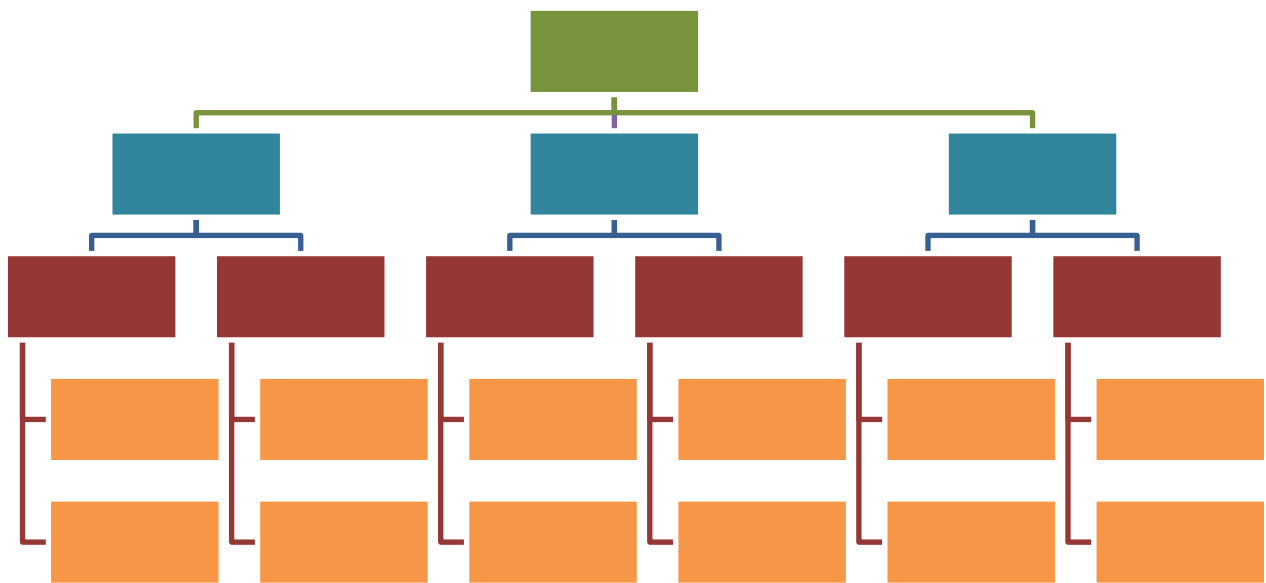


Figure 2. Representation of a complex organizational structure

Fundamental Elements of Organizational Structure

Organizational structure is composed of the following elements or concepts (Medina, 2011; Neck, Houghton, & Murray, 2017; Colquitt, Lepine, & Wesson, 2017):

- **Work Specialization.** This is also known as **division of labor**. It refers to the degree by which a job is subdivided into separate defined tasks. Its concept involves breaking down a job into several steps, where each step would then be assigned for execution of an employee. Work specialization increases efficiency since employees can focus on a single particular task rather than the entire activity. Since there would be a variety of tasks available in the organization, the employees could be assigned to positions where they are skilled and that they enjoy (Medina, 2011; Neck et al., 2017).

However, it may not be applicable to all natures of jobs. Some artistic masterpieces cannot be recommended to be accomplished by subdividing tasks as it may result in inefficient, inconsistent, and undesirable output (Medina, 2011). Moreover, many companies dismiss the idea of work specialization because of their concerns about narrow skill sets and possible boredom of employees on repeatedly performing the same tasks (Neck et al., 2017).

- **Departmentalization.** This involves grouping jobs and employees based on duties, skills, and experiences under the leadership of one (1) manager for each group. Often, medium- to large-sized companies implement departmentalization (Neck et al., 2017). Jobs may also be departmentalized in variety of ways (Robbins & Judge, 2018):
 - *Functional departmentalization* – This involves grouping the employees based on their functions or job roles. For instance, a retail company may have marketing, accounting, human resources, and operations departments.
 - *Product/Service departmentalization* – This involves dividing the employees based on the product or service that they produce. For example, a manufacturing company may be departmentalized into a group that produces refrigerators and a different group that produces washing machines.
 - *Geographical departmentalization* – This involves grouping the employees based on their respective location or territory. This is common in sales wherein an agent is given a specific region to cover as his/her assignment on selling the company's products.
 - *Process departmentalization* – This involves dividing the employees according to the identified steps of processing a service or product. For example, in a government agency, a client would go through different steps; each step is handled by a different department.
 - *Customer departmentalization* – This involves grouping the employees based on the type of clients or customers they seek to cater to. This standardizes the intended processes or resources to cater to the specific needs of a particular group of clients. For example, a company may opt to divide their sales agents and assigned a team to cater to clients working in a bank, and another team to serve clients employed by malls or retail stores.

Departmentalization can be advantageous as supervision is easier since each department is focused on accomplishing a set of related tasks. The use of shared resources, such as people, materials, and equipment, can be maximized. It is also easier for management to establish a standard performance gauge.

- **Chain of Command.** This pertains to the unbroken flow of authority from the top level of the organization down to the lowest-rank employees. **Authority** refers to the power to implement orders that go along with the position in the organization. The principle of **unity of command** is directly related to the chain of command, where an employee should have only one (1) superior to report to and responsible for. But as time passes by, business trends have developed and the concept of the chain of command has been considered of less importance. Nowadays, organizations empower their employees to make decisions and have designed job roles and cross-functional groups that would involve multiple bosses. In these cases, the concept of chain of command is seen to be less relevant (Robbins & Judge, 2018).
- **Pattern of Authority.** This refers to the extent by which employees are authorized to decide on organizational matters without the need to ask permission from members of higher authority. The

suitability of pattern of authority depends on the nature of companies (Medina, 2011). There are two (2) patterns to consider:

- *Centralized authority* – In this pattern, the majority of decisions are made by the top-level managers.
- *Decentralized authority* – In this pattern, low-level employees are allowed to make decisions concerning the organization.

Most companies are gearing toward decentralization because they become more effective, productive, and successful as their employees become empowered.

- **Span of Control.** This pertains to the number of employees for which a superior is responsible. The span of control can either be narrow or wide.
 - *Narrow span of control* – This happens when a superior only has a few subordinates to deal with. This span of control allows the superior to develop closer mentoring relationships with his/her subordinates. As the superior becomes more hands-on, there is less delegation of authority. There is a tendency to be strict with implementations as subordinates can be closely monitored. Nonetheless, it allows the superior to have more time for rewarding the behavior of subordinates (Medina, 2011).

According to Colquitt et al. (2017), researchers in their early writing assumed that employees become more productive as they get involved in a narrow span of control. On the other hand, the implication of this is that the organization would be required to recruit more managers who would handle small groups, which would incur an increase in labor costs.

- *Wide span of control* – This happens when a superior has many subordinates to handle. In this span of control, employees are required to work with minimum supervision. This also means that there is a high degree of delegation of authority. The control over the employees is less strict. There would be less time to reward the behavior of the subordinates (Medina, 2011). With this span of control, less number of managers would be hired. This would mean a reduction in costs and overhead expenses.

Decision-making would also be faster as authority is delegated among subordinates. This is the reason why most companies apply a wide span of control in their organizations (Robbins & Judge, 2018).

- **Formalization** – This pertains to the degree by which standard rules and procedures are established in the organization in order to manage behaviors and decisions (Neck et al., 2017; Colquitt et al., 2017). It is an essential component in the control and coordination within the organization. As strict rules and procedures are implemented, there would be a better understanding of the purpose and ways things are done in the organization. This would set the expectations for the employees to produce standard quality of products and services (Neck et al., 2017).

Organic and Mechanistic Structures

The purpose of forming an organizational structure is to achieve the established objectives of the organization. Organizations must come up with a strategy where the organizational structure is anchored.

There are two (2) types of organizational strategies, which are further discussed in *Table 1*.

Elements of Organizational Structure	Organic strategy	Mechanistic strategy
Work Specialization	Low degree: Employees are encouraged to be adaptable and willing to understand the “know-how” of the various tasks in the organization. They are also encouraged to develop skills that are useful for the execution of organizational activities.	High degree: Employees are given specific and limited tasks to practice and perform. They are trained and equipped for specific knowledge and skills required by their specialization.
Departmentalization	Cross-hierarchical: The employees may work on different areas in the organization at the same level of hierarchy.	Rigid: The organization is extensively departmentalized based on the appropriate category.
Chain of Command	Extensive: There might be a possible chain of command, but employees have extensive responsibilities in the organization.	Clear and defined: The line of authority is clear and defined. Employees know whom they are responsible for.
Pattern of Authority	Decentralized: Employees are empowered to make decisions at an appropriate time and situation. There is a free flow of information among the employees as well.	Centralized/High level of hierarchical control: Employees can only decide with approval from managers.
Span of Control	Wide: A single manager handles a large group of employees.	Narrow: A single manager holds only a small group of employees.
Formalization	Low: There is less strictness on the implementation of specific rules and procedures.	High: Rules and procedures are established and strictly implemented among the employees.

Table 1. Characteristics of organic and mechanistic structures

Sources: Organizational Behavior: Improving Performance and Commitment in the Workplace, 2017, p. 489
Essentials of Organizational Behavior, 2018, p. 288.

Organizational Designs

Organizational design pertains to the process of constructing the organizational structure appropriate to the stakeholders' demands and business environment. An organization must proactively design its structure. There are three (3) common kinds of organizational design:

1. **The Simple Structure.** This organizational design is characterized by a low degree of departmentalization and specialization, centralized authority of a single person, wide span of control of the manager, and low formalization. This is the most common form of organizational design and caters best to small organizations such as small manufacturing companies, retail stores, service shops, eateries.

In this setting, the owner usually acts as the manager of the organization, hence a faster decision-making. The organization is also flexible since the owner gets to implement changes immediately as s/he wishes. Moreover, an employee's resignation would have very minimal ripple effects on the organization as there is a low degree of specialization.

On the other hand, this organizational design cannot be applied to large organizations. Low formalization and centralized authority would cause overwhelming concerns for the owner. As the organization gets bigger, it becomes more challenging to handle, which leads to slow-paced decision making. This case might eventually turn into a dysfunctional organization (Medina, 2011; Robbins & Judge, 2018).

2. **The Bureaucracy.** This organizational design is described to be rational, structured, and precise. It is characterized by systematic operating routines brought by high specialization, formalized rules and procedures, centralized authority, narrow span of control, and decision-making based on a chain of command. It is mostly known to implement the highest degrees of departmentalization (Robbins & Judge, 2018).

Bureaucracy commonly consists of the following types (Colquitt et al., 2018):

- *Functional Structure* – This form of bureaucracy focuses on grouping the employees based on their functions or job tasks in the organization. It applies to organizations with a few product lines. However, employees tend to focus on their functional goals and neglect the entire organizational objectives.
- *Product Structure* – It is a form of bureaucracy that departmentalizes the organization based on the products the company is producing. Thus, every department is responsible for their own research, production, marketing, and sales. This is best suited for organizations that have numerous product lines. The disadvantage of this structure is the tendency for the departments to become highly independent from one another. This means that there might be a lack of communication and employees may not help each other in terms of process improvements and mentorship.

The advantages of implementing bureaucracy include the efficient performance of standardized activities due to specialization and reduced overhead costs. However, it poses a disadvantage to the lack of flexibility since rules have to be observed rigidly. In addition, specialization may lead to conflicts among subunits as departments focus on their departmental or functional goals rather than the overall goal of the organization (Medina, 2011; Robbins & Judge, 2018).

3. **The Matrix Structure.** This is a complex organizational design that represents the combination of functional and product structures. It aims to maximize advantages and minimize the disadvantages of both departmentalization by product and by function.

This also breaks the concept of unity of command because employees are responsible for two (2) managers: functional managers and product managers. In short, the chain of command is also doubled. Through this design, the coordination within the organization is complex and interdependent. Therefore, the departments learn from one another and share on achieving organizational goals. However, the matrix structure may cause confusion among employees as the unity of command is non-existent (Medina, 2011; Colquitt et al., 2018).

References:

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- Medina, R.G. (2011). *Human behavior in organization*. Manila: Rex Book Store.
- Neck, C.P., Houghton, J.D., & Murray, E.L. (2017). *Organizational behavior: A critical-thinking approach*. London: SAGE Publications, Inc.
- Robbins, S.P., & Judge, T.A. (2018). *Essentials of organizational behavior* (Global edition). London: Pearson.