3. 2 ORGANIZATION CHART

The organization chart is a diagram showing graphically the relation of one official to another, or others, of a company. It is also used to show the relation of one department to another, or others, or of one function of an organization to another, or others. This chart is valuable in that it enables one to visualize a complete organization, by means of the picture it presents. A typical Organisational Chart shown in Fig 1.

Organizational charts do exactly what their name suggests: Organize the roles and positions in an organization. You may want to round out your org chart by including the details of people or departments. Adding contact information, location, and other notes can make the organization more efficient and eliminate confusion about who does what.

Try breaking down your org chart into manageable pieces to get started. This way, all of the information is consistent and leads back to the highest level of the organization. You can section off different areas of your chart with the following categories:

- Department
- Team
- Unit
- Project
- Location

There are several limitations of organizational charts:

- If updated manually, organizational charts can very quickly become out-of-date, especially in large organizations that changes their staff regularly.
- They only show "formal relationships" and tell nothing of the pattern of human (social) relationships which develop. They also often do not show horizontal relationships.

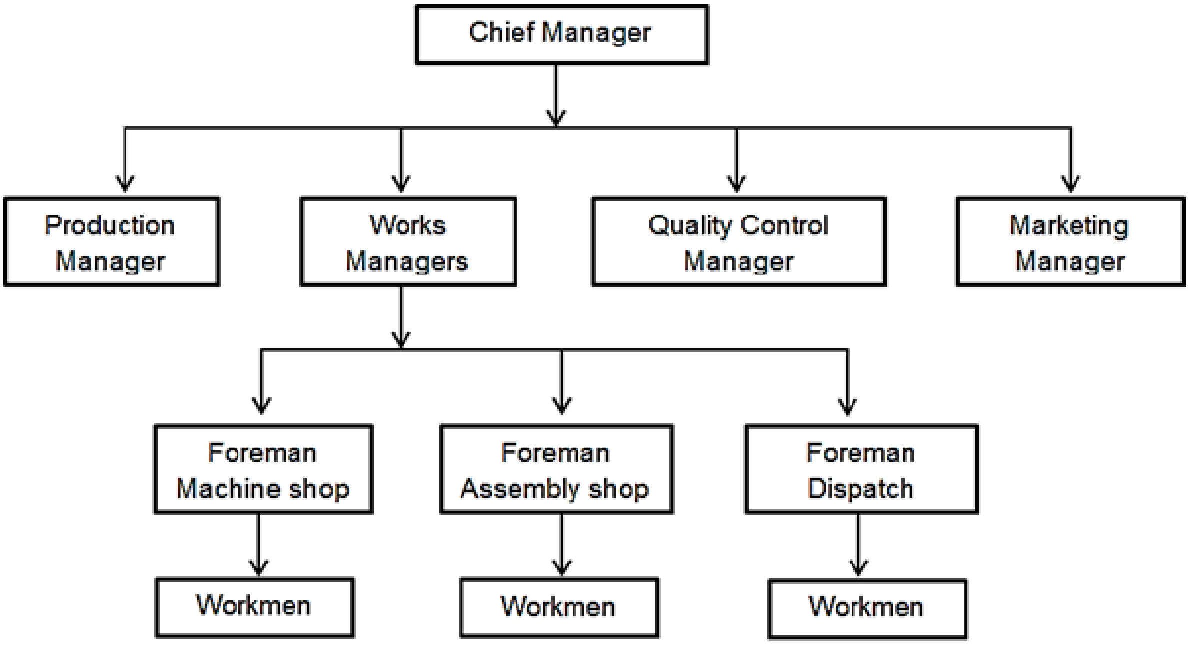

Fig 1 A Typical Organisation Chart

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

- They provide little information about the managerial style adopted (e.g. "autocratic", "democratic" or an intermediate style)
- In some cases, an organigraph (means graphical representation of a company structure) may be more appropriate, particularly if one wants to show non-linear, non-hierarchical relationships in an organization.
- They often do not include customers.

Need of organization chart:

1. It assigns responsibilities to individuals
2. It helps identity control properly
3. Makes the management functions simpler
4. Serve as a framework of budgeting and scheduling
5. Helps to give sense of security
6. Outline fundamental relationships

7. Outlines basic authority
8. Serve as basic for directives
9. Helps to improve communication channels
10. It can be referred as reference document for various purposes.

Benefits of organization chart:

1. It shows organizational activities and identifies persons responsible for them
2. It indicates clear reporting relationships pointing out who is accountable to whom.
3. It identifies scope and limit at the job explaining tasks to be performed at each position.
4. It tells about the inter – relationship of positions
5. It helps to resolve complexities within organization
6. It can be used to introduce organizational relationships to new employees.

Limitations of organizational chart

1. It does not represent human relationship between superior and subordinates
2. It can be introduce obstacles in relationships
3. It shows only formal authority relationships and omits many significant informal and informational relationships.
4. It does not provide as to the authority existing at any point in the structure
5. For any changes in hierarchy or creation of new position results in recognizing the chart.

Types of organizational chart

1. Hierarchical Organizational chart
2. Matrix Organizational chart
3. Flat Organizational chart

HIERARCHICAL ORGANIZATIONAL CHART

The hierarchical organizational chart is the most common type. A hierarchy is where one group or person is at the top, while those with less power are beneath them, in the shape of a pyramid. Think of a monarchy with a king or queen at the top, or an organization with the CEO at the top. With a hierarchy, members typically communicate with the person they report to and anyone who reports directly to them. This gives guidance for information flow but can also limit your ability to effect change. The bellow figure 2 shows the Hierarchical organizational chart.

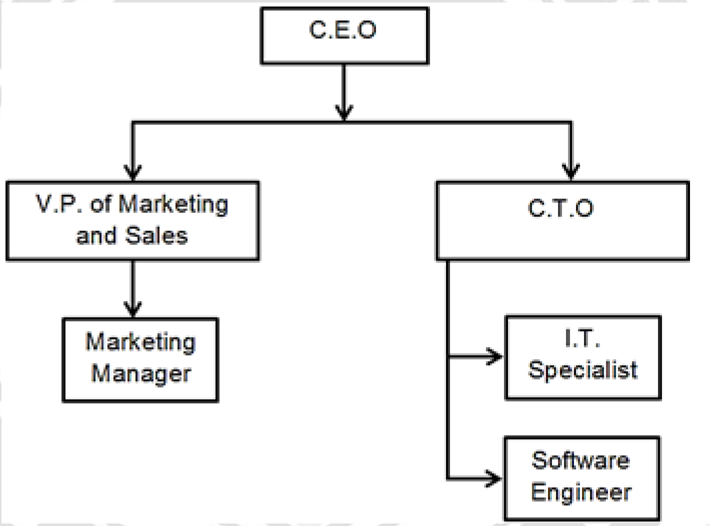

Fig 2 Hierarchical Organisational Chart

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, ―Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

MATRIX ORGANIZATIONAL CHART

The matrix organizational chart is a rarer type and usually only seen when individuals have more than one manager. For example, an organization could have a team of graphic designers who all report to the head graphic designer. The graphic designers are also working on other projects that are likely headed by a separate project manager. In this case, the graphic designers will have two managers. This structure can lead to increased communication and cooperation between departments, but it can also lead to conflicts of interest. The bellow fig 3 shows the matrix organizational chart.

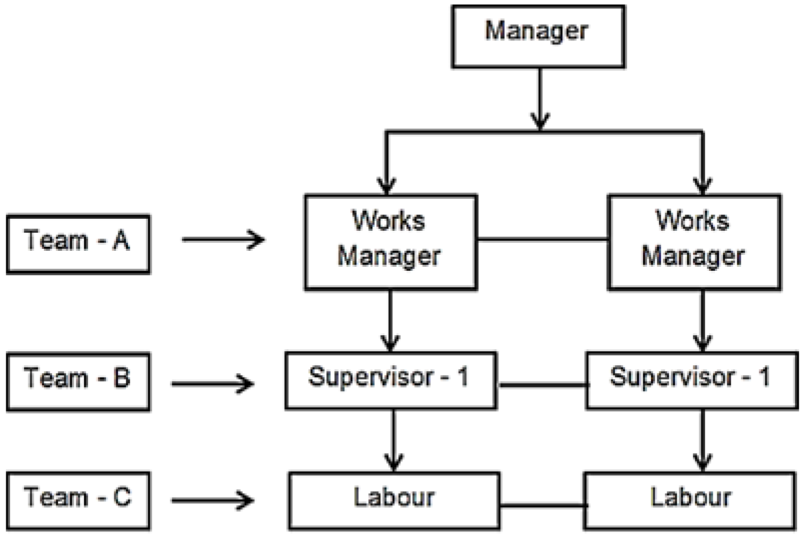

Fig 3 Matrix Organisational Chart

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

FLAT ORGANIZATIONAL CHART

The flat organizational chart, sometimes referred to as a horizontal org chart, has little or no levels of middle management and typically consists of two levels—the top administrators and the workers. In companies like this, the workers have more responsibility and are more directly involved in decision-making. The bellow fig 4 shows the flat organizational chart.

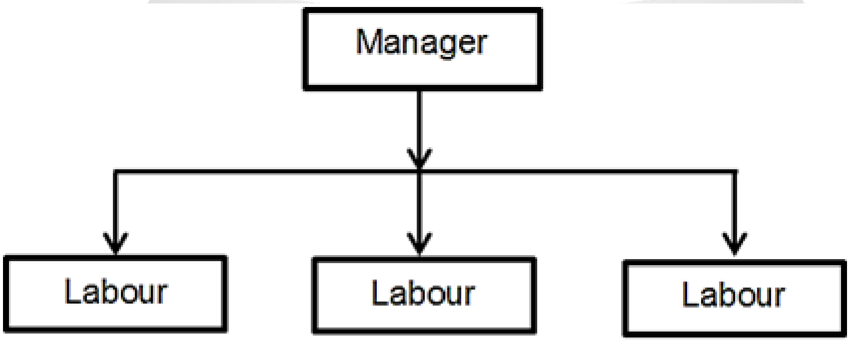

Fig 4 Flat Organisational Chart

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

3.2.1 ORGANIZATION STRUCTURE

Organization structure refers to the systematic arrangement of the people working for the organization to achieve the desired goals and objectives. It facilitates to define authority and responsibility relationship between various positions.

The organization structure has two dimensions via horizontal and vertical. The horizontal dimension shows the basic departmentation i.e. grouping the activities and employees of an enterprise in to various departments. A vertical dimension shows the hierarchy level of the organization.

Need for organization structure:

- To achieve specific goals
- To define personal identity
- Assigning responsibility and authority
- To promote division of work that leads to specialization.
- Optimum utilization of staff and resources.
- For efficient functioning

TYPES OF ORGANIZATIONAL STRUCTURES

Types of organizational structures that can be observed in the modern business organizations.

Bureaucratic Structures

Bureaucratic structures maintain strict hierarchies when it comes to people management. There are three types of bureaucratic structures:

1. **Pre-bureaucratic structures**

   This type of organizations lacks the standards. Usually this type of structure can be observed in small scale, start-up companies. Usually the structure is centralized and there is only one key decision maker.

   The communication is done in one-on-one conversations. This type of structures is quite helpful for small organizations due to the fact that the founder has the full control over all the decisions and operations.

2. Bureaucratic structures

These structures have a certain degree of standardization. When the organizations grow complex and large, bureaucratic structures are required for management. These structures are quite suitable for tall organizations.

3. Post-bureaucratic Structures

The organizations that follow post-bureaucratic structures still inherit the strict hierarchies, but open to more modern ideas and methodologies. They follow techniques such as total quality management (TQM), culture management, etc.

Functional Structure

The organization is divided into segments based on the functions when managing. This allows the organization to enhance the efficiencies of these functional groups. As an example, take a software company.

Figure 5 shows the Functional Structure. Software engineers will only staff the entire software development department.

This way, management of this functional group becomes easy and effective.

Functional structures appear to be successful in large organization that produces high volumes of products at low costs. The low cost can be achieved by such companies due to the efficiencies within functional groups.

In addition to such advantages, there can be disadvantage from an organizational perspective if the communication between the functional groups is not effective. In this case, organization may find it difficult to achieve some organizational objectives at the end.

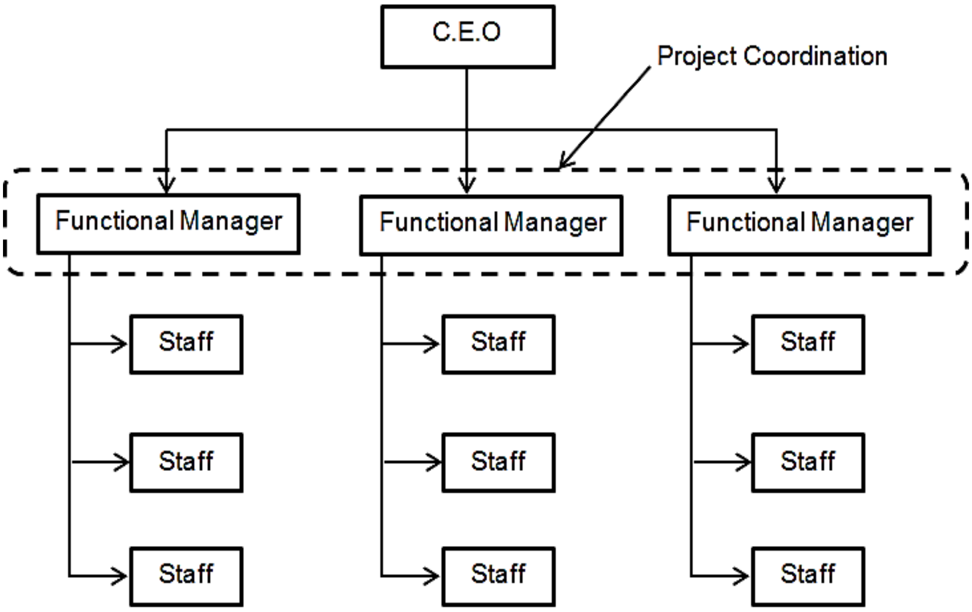

Figure 5 Functional Structure

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, —Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

Divisional Structure

These types of organizations divide the functional areas of the organization to divisions. Each division is equipped with its own resources in order to function independently. There can be many bases to define divisions.

Divisions can be defined based on the geographical basis, products/services basis, or any other measurement. The bellow Fig 6 shows the Divisional Structure.

As an example, take a company such as General Electrics. It can have microwave division, turbine division, etc., and these divisions have their own marketing teams, finance teams, etc. In that sense, each division can be considered as a micro- company with the main organization.

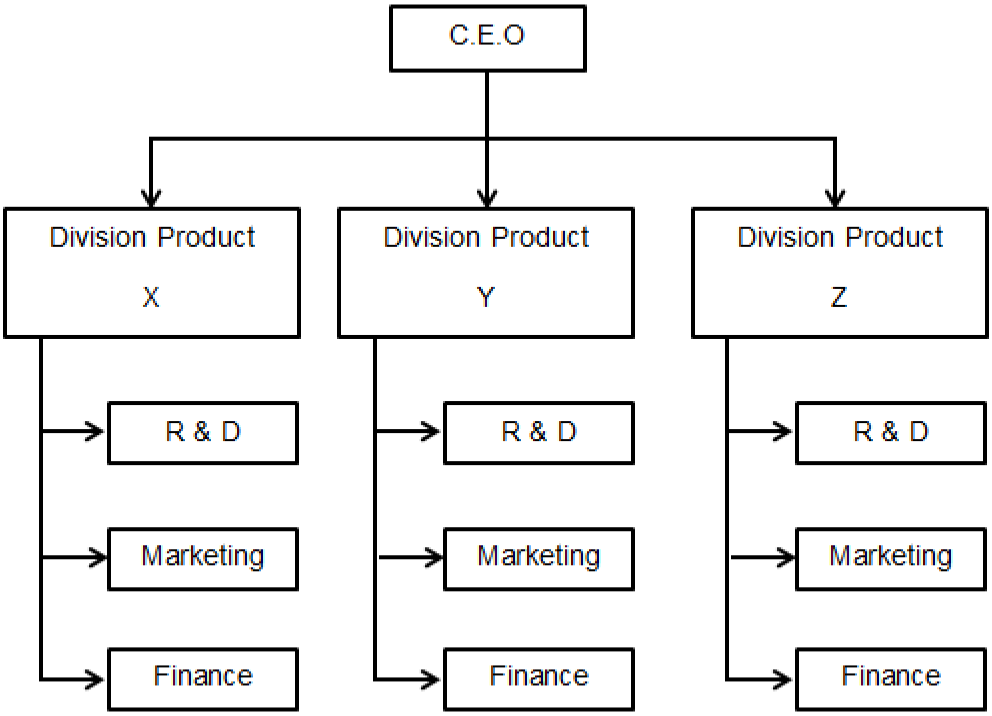

Figure 6 Divisional Structure

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, ―Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

Matrix Structure

When it comes to matrix structure, the organization places the employees based on the function and the product.

The matrix structure gives the best of the both worlds of functional and divisional structures. The bellow Figure 7 shows the Matrix Structure.

In this type of an organization, the company uses teams to complete tasks. The teams are formed based on the functions they belong to (ex: software engineers) and product they are involved in (ex: Project A).

This way, there are many teams in this organization such as software engineers of project A, software engineers of project B, QA engineers of project A, etc.

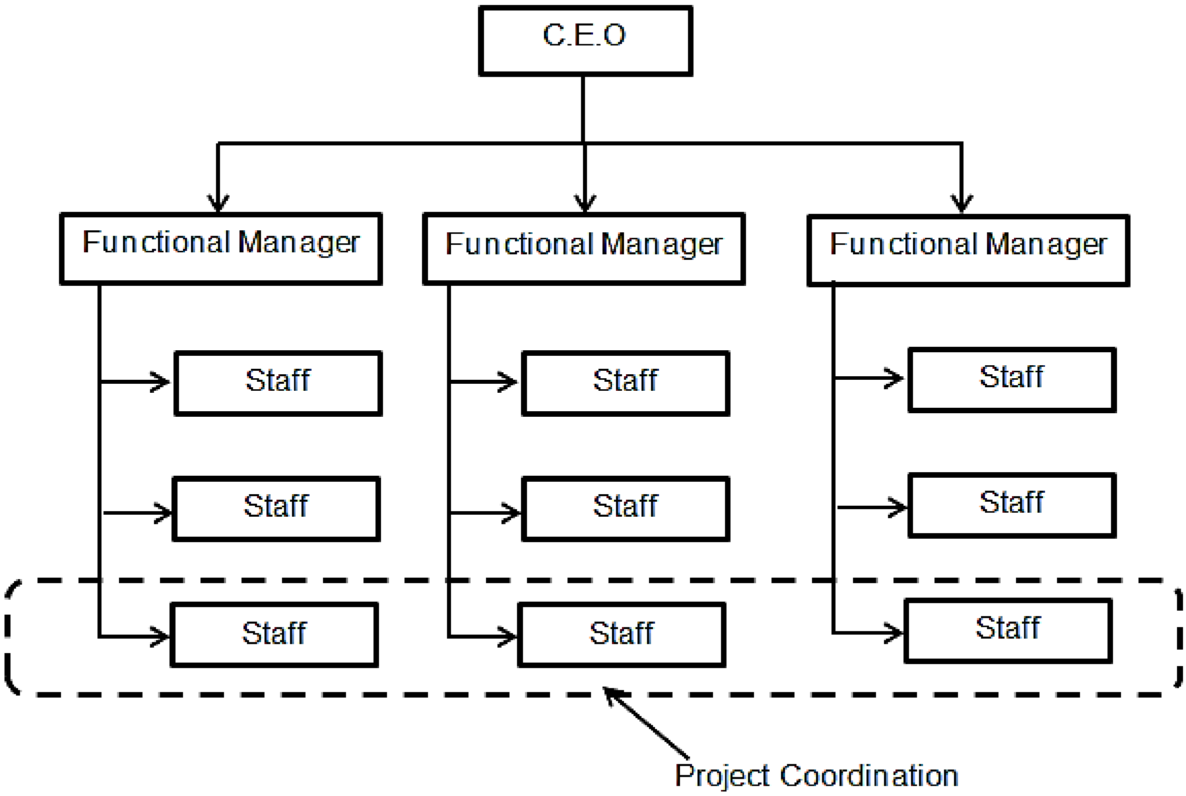

Figure 7 Matrix Structure

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, ―Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

Flat Organizational Structure

Many small companies use a flat organizational structure, where very few levels of management separate executives from analysts, secretaries and lower-level employees. Flat organizations work best when a company has less than 20 employees, especially if the company employs one or two employees per department. One advantage of using a flat organizational structure for management is that decisions can be made relatively quickly. The flat organizational lacks the typical bureaucracy of taller organizational structures--those with many levels of management.

Product Organizational Structure

A product organizational structure has managers reporting to the president or head of the company by product type. Product organizational structures are primarily used by retail companies that have stores in various cities. However, stores in each city may still need a local human resources or marketing department to carry out functions locally. For example, a small department store company may have a vice president of sporting goods, housewares and general merchandise at the corporate office.

One manager may report to each vice president. However, each manager may oversee the work of one or more field marketing employees who travel and handle local marketing stores in several states. These field marketing employees may work for the sporting goods manager one week in League City, Texas, then do merchandising for the housewares manager another week in the Sugarland, Texas, market.

Geographical Organizational Structure

The Small Business Administration is responsible for defining small businesses in different industries. For example, in manufacturing, the SBA usually considers a company with 500 or fewer employees a small business. Point is, small businesses are still large enough to use a geographical organizational structure.

A geographical organizational structure is when companies decentralize the functional areas. For example, unlike the product organizational structure, there may be a local marketing, finance, accounting and research development person based in each region.

For example, a small consumer products food company may be large enough to place a marketing research manager and analyst in each of six different regions. This can be important because consumers in various areas have different tastes. Hence, a geographical structure will enable the company to better serve the local market.

3.2.3 Authority

In many organizations, managers use authority by dividing it into line authority, staff authority and functional authority. Figure 8 shows the relations ship of line and staff authority. These kinds of authority differ according to the kinds of power on which they are based.

3.2.3.1 Line Authority:

Managers with line authority are those people in the organization who are directly responsible for achieving organizational goals. Line authority is represented by the standard chain of command starting with the board of directors and extending down activities of the organization that are carried out. Line authority is based primarily on legitimate power.

Since line activities are identified in terms of the company's goals, the activities classified as line will differ in each organization. For example, managers at a manufacturing company may limit line functions to production and sales, while managers at a department store, in which buying is a key element will consider the purchasing department as well as the sales department as line activities.

When an organization is small, all positions may be line roles

3.2.3.2 Staff Authority:

Staff authority belongs to those individuals or groups in an organization who provide services and advice to line mangers. The concept of staff includes all elements of the organization that are not classified as line. Advisory staffs have been used by decision makers from emperors and kings to dictators and parliaments over the course of recorded history.

Staff provides managers with varied types of expert help and advice. Staff authority is based primarily on expert power. Staff offer line managers planning advice through research, analysis and options development.

Staff can also assist in policy implementation, monitoring and control in legal and financial matters; and in the design and operation of data processing systems.

As managers expand organizations over time, staff roles are often added to supplement line activities. For example, partners at many law firms are adding staff members to run the 'business side' of the firm. The presence of these specialists frees lawyers to practice law, their line function.

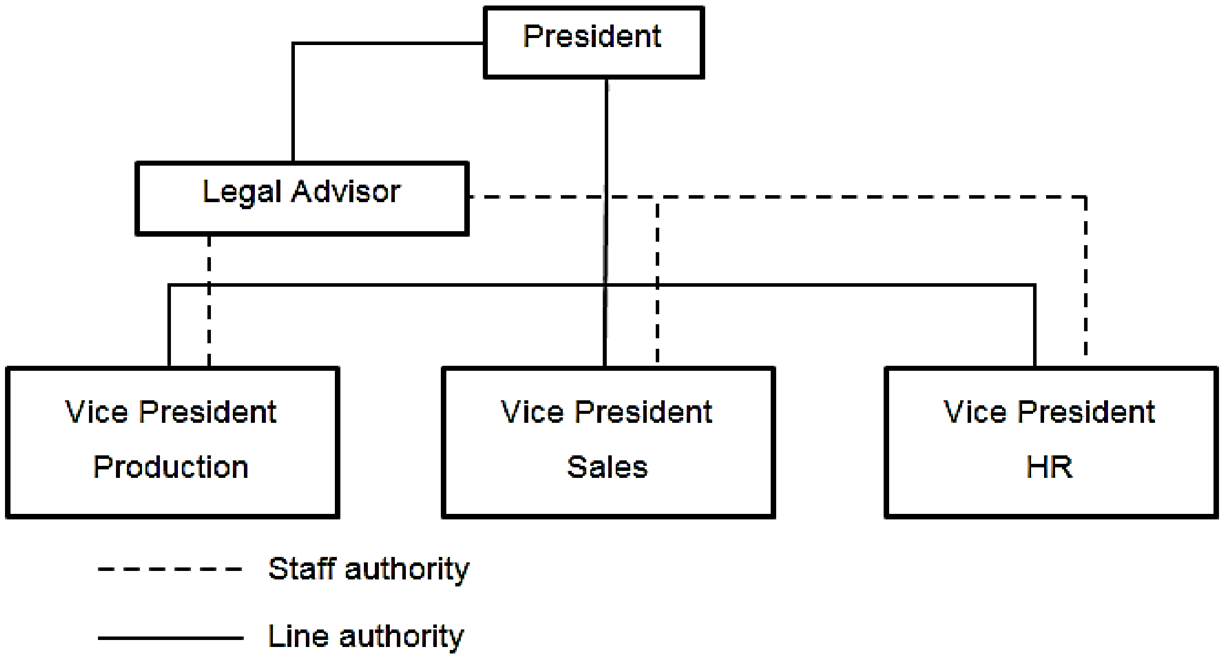

Figure 8 Relationship of Line and staff authority

Source : Stephen A. Robbins & David A. Decenzo & Mary Coulter, ―Fundamentals of Management‖ Pearson Education, 7th Edition, 2011.

Functional Authority:

The role of staff members – to provide advice and service to line members – implies that staff lacks independent formal authority. In reality, staff departments, especially those responsible for audit functions, may have formal authority over line members within the limits of their function. The right to control activities of other departments as they relate to specific staff responsibilities is known as functional authority. The finance manager of Division A reports through the chain of command to the General Manager of Division A, but is also responsible to the vice president for finance at the corporate level. This 'dotted line' relationship indicates the functional authority of specialized staff in relation to line managers.

Functional authority is common in organizations. It is necessary in carrying out many organizational activities, both to provide or a degree of uniformly and to allow unhindered application of expertise. Thus, it is based on both legitimate and expert power. The skills required to manage functional authority relationships and the problem arising from those relationships are similar to the skills required to manage dual-boss relationships in matrix organizations.

Functional authority might be common in modern organizations, but it can be difficult to practice. Take the case of Laura Kozol at the General Electric plant in Lynn, Massachusetts, where jet engines are manufactured for small aircraft. As a design engineer, Kozol has a position traditionally associated with staff authority.

When Kozol joined the plant staff, she found that engineers designed engines (staff authority) without consulting those who actually produced the parts (line authority).

Partly out of frustration, and partly because downsizing at the plant cut out layers of management, Kozol organized an ongoing collaborative process between engineers and production employees. She now exercises functional authority as she works with production employees.

LINE AND STAFF CONFLICTS:

As always, functional and decisional conflicts arise between line and staff members. The causes may be attributed to the following reasons.

1. Line managers grudge against the staff personnel:
    a) The staff authorities try to encroach upon the line managers and tell them how to do their work
    b) Lack of well-balanced advice from the staff managers
    c) Staff managers are not directly accountable and sport a jealous attitude towards line authorities
    d) Staff managers fail to see the big picture objectively and their interests are confined to specified situations

e) Staff often tends to impose their superiority on line managers

2. Staff personnel complaints against the line managers
   (a) Line managers don't want to listen to the suggestions of the staff and make it a point to resist new ideas
   (b) Lack of authority on the part of staff managers to implement their innovative ideas and hence the dependence on line authorities
   (c) Line managers do not utilize the services of staff personnel properly and effectively
3. The workers' attitude
   (a) The authority relationships between line and staff specialists are not clearly defined most of the time
   (b) The basic difference in attitude and perception of the line and staff managers create difficulties for the work force in carrying out orders and instructions.