Organizing

Organizing can be viewed as the activities to collect and configure resources in order to implement plans in a highly effective and efficient fashion. Organizing is a broad set of activities, and often considered one of the major functions of management.

Organizational Structure

Structure

'Structure is an entity (such as an organization) made up of elements or parts (such as people, resources, aspirations, market trends, levels of competence, reward systems, departmental mandates, and so on) that impact each other by the relationship they form. A structural relationship is one in which the various parts act upon each other, and consequently generate particular types of behavior.'

Organizations can be regarded as people management systems. They range from simple hierarchies along traditional lines to complex networks dependent on computer systems and telecommunications. (...) Human resource managers can encourage organizations to adopt strategies (for their structures) which foster both cost-effectiveness and employee commitment. (...) Organizational structures can be classified into a number of types, including functional, divisional, matrix, federations and networks. Organizational structure has long been described as a mechanism through which effort is integrated through the coordination and control of activities.

Business organization chart

An organizational chart clearly identifies a company’s characteristics to enable both employees and bodies external to your company (customers, suppliers etc) to identify the make-up of your company. It identifies the number of people working in your company, what your company hopes to achieve and its line of command. By clearly outlining an organizational structure you will be identifying:

- Who is responsible for what areas of business
- Who to go to with problems or queries arise
- Why the company exists and what it hopes to achieve
- Who is responsible to who

The organization chart describes in diagrammatic form the structure of the organization. It is the skeleton upon which every other activity depends, more importantly, it is the framework which explains the communication pattern, process and the linking mechanisms between the roles. It illustrates to everyone who communicates with whom, how the control system works, who is in control, who has authority and above all, who is responsible. It explains how the organization is coordinated and how individual departments relate. Formal structures are often based on specific tasks and it is how these tasks are allocated and the authority which they carry are explained by the organizational structure.

A business organization may be structured in many different ways, depending upon the environment within which it operates. Traditionally, the structure – and therefore the communication process – is based upon a hierarchy of individual departments, although more and more organizations now see the product and the market as more fundamental to structure than individual departments. There are always problems with any organizational structure. Traditional organizations based on departments often tend to be bureaucratic and slow in distributing information, whilst organizations which are more aware of the external environment often lack the formality and control of the traditional organization.

In more formal organizations the organization chart defines the way that communication and work flows through the organization. The typical organization chart assumes a hierarchical structure, reflecting communication flowing downwards from top management to the departments further down the organization. But of course communication also flows in reverse, instructions received from above have to be acted upon and reported.

However, in many modern organizations where conventional communication structures either do not exist or are less formal, communication tends to be horizontal, between individuals and departments, rather than the upwards or downward flow assumed by so many to be the normal case.

This type of structure is often referred to as the Matrix structure. Its great advantage is that it is cross functional whilst maintaining functions and the commitment and specialization of individual departments. At the same time it allows adaptation to change, encourages commitment to the organization as a whole, improves communication and perhaps most importantly of all, reduces the need for slow, laborious communication up and down the traditional hierarchical structure.
STARBUCKS’ STRUCTURE

**Functions**
- VP Operations
- VP Human Resources
- VP Marketing
- VP Management & Info. Systems
- VP Coffee
- VP Real Estate
- VP New Business Development
- VP Finance

**Starbucks CEO**

**FUNCTIONAL STRUCTURE**

**Strengths**
1. Economies of scale within functions
2. Internal efficiency, in-depth skill development, specialization, high quality
3. Best for small organizations with only one or a few products

**Weaknesses**
1. Slow response time to environmental changes
   - Decisions may pile-up on top; hierarchy overload
   - Poor inter-unit coordination
2. Less innovation
3. Restricted view of organization goals (emphasis on functional goals)

**DIVISIONAL STRUCTURE**

(Divisions based on product, service, geography, customer)

**Strengths**
1. Is suited to rapid change in unstable environment
   - Decentralizes decision making (Fast adaptation)
2. Allows units to adapt to differences in products, (regions, clients)
   - Leads to client satisfaction because product responsibility and contact points are clear
3. Eliminates in-depth competence and technical specialization
4. Best in large organizations with several products

**Weaknesses**
1. Eliminates economies of scale in functional departments
2. Leads to poor coordination across product lines
3. Causes participants to experience dual authority: frustrating and confusing

**HYBRID STRUCTURE**

**Strengths**
1. Organization can achieve adaptability and coordination in some areas and efficiency in others
2. Better alignment between corporate-level and division-level goals
3. Achieves coordination both within and between product lines

**Weaknesses**
1. Potential for excessive administrative overhead
2. Conflict between division and corporate departments

**MATRIX STRUCTURE**

**Strengths**
1. Flexible sharing of human resources across products
2. Suited to complex decisions and frequent changes in unstable environment
3. Provides opportunity for functional and product skill development
4. Best in highly uncertain environments and organizations with multiple products and project based work.

**Weaknesses**
1. Causes participants to experience dual authority: frustrating and confusing
2. Means participants need good interpersonal skills and extensive training
3. Time-consuming: frequent meetings and conflict resolution sessions
4. Will not work unless participants understand it and adopt collegial rather than vertical-type relationships