

21 February 2004

A Preliminary Organization

According to Peter Drucker, structure is the means to achieve organizational objectives and goals. Hence it is important to appreciate the purpose and structure of an organization. Child (1984) said that organizational structure existed to ensure the allocation of responsibilities, the grouping of functions, decision-making, coordination, control and reward.

Organization is more than a simple structure. It is a living thing. It is up to the HR manager to put into place formal organizational structures and operating systems, and to use the culture and employee talent effectively to meet corporate strategy objectives along with personal objectives. By determining structural elements and establishing an interpersonal style, the HR manager can communicate the objectives of the organization, to employees in such a manner that the employee knows how to contribute and be rewarded.

Determinants of structure

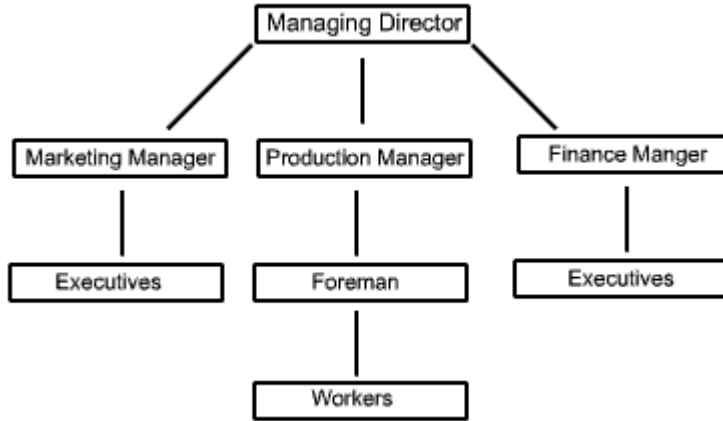
- a) Size* is the effect and requirements of the organizations on systems and procedures, group inter-relationships, co-ordination and control systems, efficiency of output of products or services and employee attitudes.
- b) Technology* is the socio-technical systems and microelectronics.
- c) Historical background* is the impact of the past on the current functioning of the organization in terms of ownership, control, motivation of employees, culture and flexibility to change.
- d) Geographic dispersion* and its influence over control and co-ordination mechanisms.
- e) External environment* is the current market situation, competitors' behavior, and political and economic environment.
- f) Employee attitude* is people's response to internal and external changes, over- or under-manning, crisis management and the manner in which interpersonal relationships are conducted.
- g) Management information system* is the way in which information is processed and distributed in the organization.

A hypothetical organization

In a small, single-owner business, producing a single high-tech product with 15 employees, the company structure is simple and informal. As the high-tech business booms, sales increase exponentially. This means recruiting new staff and the single-owner business changes its shape and structure.

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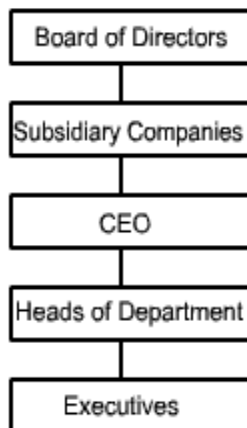
The organization appoints a Marketing/Sales Manager, a Finance Manager and a Production Manager. The structure may look something like this:



The organization has taken on a distinct line appearance, with the specialist posts and the line responsibilities of the foremen. The staff relationships develop and the structure adopts various financial and procedural rules and controls, which will continue to develop. It is now poised to evolve into a complex organization.

The Managing Director becomes more and more occupied with strategic planning, while the new financial man is busy devising various financial controls.

The company is expanding, both geographically and productively. The structure begins to take on a product function look. It would soon move on to a Divisional Structure. It would appear somewhat like this:



The Divisional structure leads to more complicated controls from the service functions as well as the setting up of profit centers. The style of the Managing Director would have changed from autocratic to participative. The organization would also witness the development of project teams using a matrix type structure. This would at times be subjected to the moans and groans of communication problems, conflicts both vertical and horizontal.



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The organizational structure had developed from the simple informal structure to a divisional structure with a diverse combination of functional, product, divisional, geographic and matrix structures. The important point is that the organization structure is, or should be, constantly adapting to the needs of the business.