

Organisational and Management Structures

All but the smallest businesses will have a recognisable internal structure and there are a wide variety of structural types that could be possibly adopted by any business. The form that a business's internal structure takes will depend upon a number of factors.

These factors include:

- the views and philosophy of management
- the need for different communication systems
- the industry within which the business operates
- the traditions of the business
- the skills of the workforce.

Whatever the influence and interaction of each of these factors, the outcome will always result in the creation of a structure made up of layers of hierarchy, spans of control, chains of command, paths of communication and levels of responsibility.

Factors that determine internal structure

Views of Management. The type of manager that operates within the business will have a large impact on the internal structure of the business. Democratic managers will encourage workers to take responsibility, whilst Autocratic managers will prefer a recognisable hierarchical structure.

Communication Systems. Where communication is controlled and monitored, then the business structure is likely to contain many layers with narrow spans of control, and definite paths of responsibility. But where more open and free communication is encouraged, the business structure is likely to be less hierarchical, and more flexible.

The Industry. Retailing encourages a hierarchical structure, with clear cut responsibilities and chains of command, whilst in other industries, such as software development, the boundaries of responsibility are less clear and chains of command much shorter.

Traditions of the Business. The standard pyramid shaped hierarchical structure (see below) is one that many businesses develop as they grow. Often businesses that have been government owned for many years have a traditional structure, and when

privatised these firms find many difficulties in riding themselves of this rigid form. Other firms, often in the 'new economy', work towards achieving a less rigid, less layered and a more inspirational and motivational structure.

Skills of Workforce. More highly skilled the workforce the more likely they are to need less supervision, and more likely to give input into decision making. This implies a flatter, more open structure.

The Component Parts of Internal Structure.

Layers of Hierarchy. This means the number of levels of seniority within a business, and within a chain of command. For example, in the police force, we have a chain of command all the way from Chief Constable down to Constable. In between we have Assistant Chief Constable, Deputy Assistant Chief Constable, Chief Superintendent, Superintendent, Chief Inspector, Inspector, and Sergeant (and I've probably missed a few out!). Counting up the above, there are 9 layers or levels of Hierarchy in this chain of command.

Chains of Command. These are the paths along which communication takes place and instructions or orders are passed. So using the Police Force as an example, the Chief Constable may make a decision to stamp out begging. This instruction is passed down through the layers, who will decide upon methods to use to carry out the policy. The Constables, who will probably have responsibility for carrying out the task of removing beggars from the streets, will eventually be ordered to carry out the policy using the methods devised by their superiors in the chain of command.

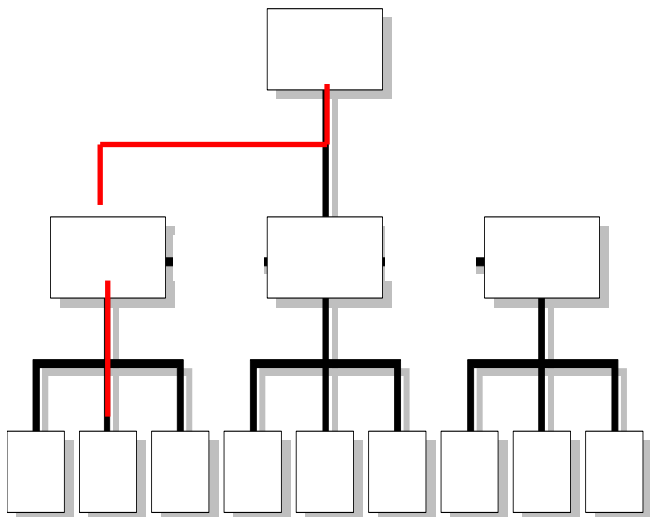
Levels of Responsibility. Each layer of the hierarchy will have its own level of responsibility. The amount of responsibility and the freedom to make decisions based on this responsibility will depend upon the amount of control that has been delegated from above. The amount of delegated control will depend upon business structure, style of management and the type of business involved.

Span of Control. The span of control tells us how many workers are directly responsible to a manager or supervisor. When there has been a high level of delegation the span of control is often wide. Workers are trusted to achieve quality and complete their tasks, without constant supervision or monitoring. A narrower span of control operates in strictly hierarchical organisations where control is high and kept to the centre, and delegation is limited.

Typical organisational structures.

Traditional Hierarchical Structure

The hierarchy below is an example of the Traditional Pyramid shaped hierarchy. Although only 3 layers are shown, there are many levels or layers to the hierarchy and the span of control is narrow (3 or 4) at the top, but will widen at the bottom (to perhaps 7 or 10), where supervisors only role is to monitor performance.. The path in red is one typical chain of command. At the top of the hierarchy are the senior management. At the bottom, the workers, in between middle management and supervisors. It is typical to base this structure on Functional Departments. The main functions of business include HRM, Purchasing, sales and marketing, production and finance.



This form of hierarchy does have advantages:

- Control is at the centre, and the centre (senior management) fully understand exactly who does what, and what their responsibilities are.
- Paths of communication and responsibility are clearly defined.
- Departments understand their position and roles within the organisation.

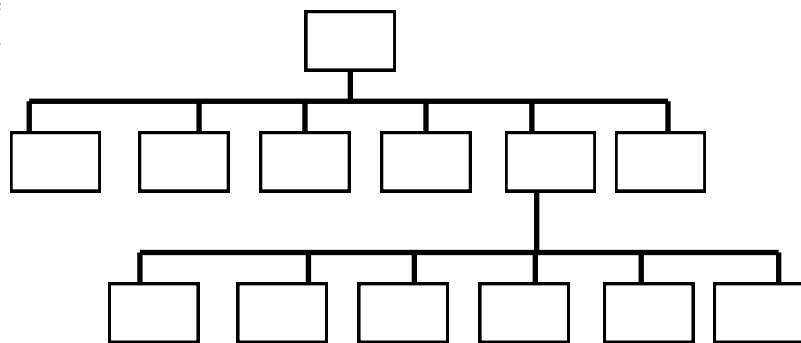
- Each person knows how they fit into the organisational structure.
- People know what their jobs are, and whom they are responsible to.

But of course there are disadvantages:

- Senior management are distanced from those who implement decisions made, this means that what is done, may differ from what was intended.
- Vertical communication is difficult, with information that is received by management distorted by the layers it must pass through, or out of date by the time it is received.
- Communication between different departments is hampered by the lack of direct contact between departments.

Flatter Hierarchical Structure

Below is an example of a flatter organisational structure. The span of control is wider, the chain of command is shorter and there are fewer layers in the hierarchy.



If existing traditional businesses, wish to achieve this structure, delayering must occur. Delayering means the removal of whole layers of hierarchy and management. This is normally achieved through compulsory redundancy programmes.

The advantages of this type of less hierarchical structure are:

- Increased motivation as a result of delegation of authority
- Decisions are made more quickly by those nearest the 'ground'
- Communication is quicker, and suffers less distortion

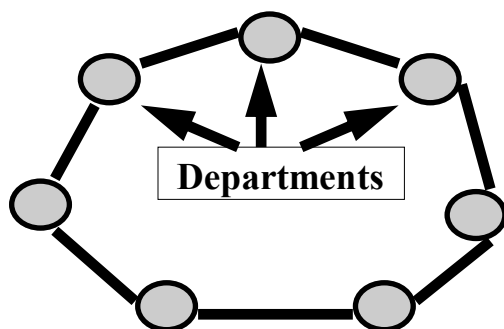
The disadvantages are:

- Loss of central control
- Different departments may not be working to the same objectives

Firms do have the alternative of abandoning hierarchical structures, and opting for a less traditional form of internal organisation. This can be done for all the firms employees, so the new structure covers the whole organisation or for just part of their staff. When the traditional hierarchy is abandoned, the firm no longer relies on strict demarcation of roles, and supervisory systems. Control is instead achieved through the use of communication systems. The aim of this type of structure is to ensure that the advantages of the more traditional structures are maintained, but also to make certain that motivational factors and effective communication from all parts of the organisation, are built into the system

The circle.

In this structure, departments and individuals can only communicate with the two others adjacent to them in the circle. This type of communication. can occur between middle managers from different functional departments. The circle structure will normally allow communication between related departments. So for example in the structure we might see the

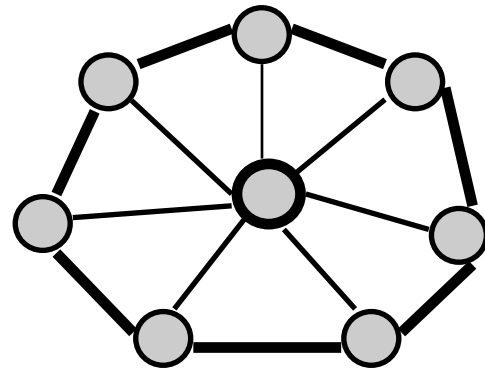


production department sitting between marketing and personnel departments. This makes a great deal of sense as the work of each department is interrelated. Marketing department may feed information to production on customer needs, whilst production will inform personnel on manpower requirements.

We see an improvement on the traditional structure, as related departments are now allowed direct communication, but this system can be inefficient because of lack of co-ordination.

The wheel.

In this structure there is a person, or group, or department that occupies a central position. This is a good problem solving network, with lots of potential



input to a central co-ordinator.

The matrix or all channel network.

This is best used in small groups, and often used to solve complex problems. For this structure to work effectively, firms will have to take advantage of information technology. For example, this structure is ideal if there are workers in a business who need to interact, but are spread geographically. E-mail, or video conferencing systems allow regular contact between members and the passing of information to all members of the structure

Each of these alternative systems has been designed with one overall objective; to improve efficiency of the organisation. It is still rare to find business organisations that have completely abandoned traditional structures, but instead it is much more likely that you will find alternative structures operating within the hierarchy. Examples would be cell working, or quality circles. These help break down barriers, and overcome many of the problems that exist in traditional hierarchies.