

# ORGANIZATIONAL STRUCTURE: DIMENSIONS, DETERMINANTS AND MANAGERIAL IMPLICATION

**Ugbomhe, O. U.**

*Department of Humanities and Social Sciences  
Auchi Polytechnic, Auchi, Edo State, Nigeria  
E-mail: ugbomhe2000@yahoo.com*

**Dirisu, A. B.**

*Department of Business Administration and Management  
Auchi Polytechnic, Auchi, Edo State, Nigeria*

## ABSTRACT

*The study examined the meaning, nature, forms, dimensions, determinants and managerial implication of organizational structure and its impacts on the organisation. The review revealed that the dimension of organisation structure generally consists of complexity, formalization and centralization, and that strategy, size, culture, technology, environment, people and the like determine the organisation's structure. Work specialization, departmentalization, chain of command, span of control, centralization, decentralization and formalization are key elements to be considered in designing an effective organizational structure. In conclusion, the structure of an organisation has far-reaching implication on the organisation and its workforce. Therefore, it was recommended among others that organisation should adopt a structure that enables it to maintain a competitive advantage in the industry it operates.*

**Keywords:** *organizational structure, nature, forms, dimensions, determinants and managerial implication*

## INTRODUCTION

Organisation is a group of people bound together to provide unity of action for the achievement of a predetermined objective (Nwachukwu, 2006). Organisation creates for themselves a structure that enables they co-ordinate their various activities and control the actions of their members. The framework or mechanism for achieving the predetermined objective may be referred to as organisation structure. Structure is the shape an organisation assumes, usually shown in a chart. Structure shows the various layers of management, beginning from the top management down to the lowest level in the operations of the organisation.

In dividing task and co-ordinating departments, certain results will naturally emerge, these are standardization, the condition in which the organisation's outputs conform to its economic quality and other measures of acceptable performance, and formalization (the process of planning, rules, policies and procedures to regulate organisation's behaviour). Krunkenberge (2009) believes that the way an organisation is structured tells quite a lot about how efficient that organisation will work and attempt to achieve its goals. Robbins (1990) is of the assertion that organizations need to have structure that include the three primary dimensions of complexity,

formalization and centralization which need to be blended and work together to ensure the organisation can work as effective as possible. The purpose of this paper is to examine the benefits of organizational structure in behaviour and functioning of organisation. The paper will also examine managerial implications of organization structure, and thereafter recommends steps to be taken to effectively develop and sustain necessary structure that will give rise to effective organizational performance. It is in line with these that this paper takes a critical look at conceptual overview and literature on organisation structure, its dimensions and the determinants of structure, the various forms of organisation structure and its managerial implications.

Organisation structure is variously defined as the sum total of the ways in which the organisation divides its labour into distinct tasks and then achieves co-ordination between them (Mintzberg, 1979). It is also seen as the degree of complexity, formalization and centralization in the organisation (Robbins, 1989). However, organisation structure may be seen as the arrangement of positions and groups of positions within the organisation (Wright and Noe, 1996). The way in which an organisation's activities are divided, grouped and coordinated into relationships between managers and employees, managers and managers and employees and employees (Stoner, Freeman and Gilbert Jr. 1995). The framework in which the organisation defines how tasks are divided, resources are displayed and departments are co-ordinated (Draf and Marcic, 2004).

An intangible way of relationships between people, their shared purposes and the task they set themselves to achieve those purposes (Cole, 2004). Sound organisation structure involves dividing activities into departments, divisions, units and sub-units, defining relationships between the heads and members that make up the units (Nwachukwu, 2006). Organisation structure defines tasks and responsibilities, work role and relationships and channel of communication (Mullins, 2007). Nevertheless, various definitions of organisation structure abound. Diverse as they are, they however have a place of convergence. The fundamental similarity of these numerous definitions include that, they all point to the fact that, organisation structure involves the grouping of tasks and the people that perform the tasks into departments as well as the co-ordination of these tasks, people and departments in order to achieve the goals and objectives of the organisation.

The study of organisation structure is a developing and ongoing field, though it has been a major source of interest to both the classical theorist and the contingency school (Cole, 2004). As all human efforts are geared towards attaining or accomplishing some very important and vital purposes or goals, so is, organisation structure geared towards attaining some important goals, the goals of the organisation. According to Robbins (1990), organisation structure consists of three components, namely complexity, formalization and centralization. Complexity refers to the degree to which activities within the organizations are broken up or differentiated. Differentiated itself could be horizontal, vertical and spatial. Another component of structure is formalization, which is the degree to which rules and procedures are

utilized in an organisation. The third component of structure is centralization - which considers where decision making authority lies in the organisation. Aside these components of structure, many factors interplay to determine the form or shape an organisation structure fully assumes. Some of these variables are strategy, size, technology, culture and environment.

However, Robbins and Judge (2009) note that there are six key elements managers need to consider when designing their organisation's structure. These elements are work specialization, departmentalization, chain of command, span of centralization, decentralization and formalization. The Characteristics of Organisational Structure according to Imiavan (2008) are (i) it has purpose or goal, authority centres, (ii) it has division of labour/specialization, (iii) it has delegative processes, (iv) it has a good communication channel, and (v) it is strategic, internal polices, rule, etc.

Wright and Noe (1996) noted that the objectives of organisation structure are of two folds. First, they saw it as a means of achieving standardization in the organisation. Secondly, they saw it as a means of achieving co-ordination in the organisation. Standardization is the condition in which the organisation's outputs conform to its economic, quality and other measures of acceptable performance. Co-ordination on the other hand, is the integration of the organisation's part to achieve the desired outcomes. Nyaama (2010) listed the objectives of organization structure as co-ordination, reporting procedure, showing responsibilities of individuals, improving communication and improving decision-making.

### **Typical formal organizational structure**

It is difficult for anyone to understand all the activities, position and level of authority within the organisation so easily unless it is presented on paper. Hence the easiest way to indicate the picture of the entire organisation is through the use of charts. An organisational chart is a diagrammatic illustration of an organisation structure (Ewere, 1999). However, the structure will not be as simple in respect of large complex organisation. It may include senior level of management and more levels of supervision. In such a situation, two or more organisation charts may be employed, one for the top management indicating the position of the chief executive and other major position. The other indicates the heads of departments/units/divisions and the supervisory positions and the rank and file. Authority in formal organisation is usually hierarchical. Today, only two forms of formal organisation are commonly used. This includes line and line-and-staff. Line structure is based on clear and simple relationship in a direct chain of command. Authority flows from the highest level executive to the bottom level. Each individual reports to an immediate supervision and responsibility for task performed is clearly defined. As the organisation expands and grows larger, the manager's job becomes complex. Staff positions are created to provide for the use of specialists to give special and technical advice and assistance to the line managers. This give rise to line-and-staff organisation. The functional organisatin is rarely foun din modern business organisation (Ewere, 1999).

## **Dimensions of Organisation Structure**

Organisation structure has various dimensions. Robbins (1990) identified them as complexity, formalization and centralization.

**Complexity:** This refers to the degree of differentiation that exists within an organisation. Complexity encompasses three forms of differentiation, namely horizontal, vertical and spatial differentiation. Horizontal differentiation considers the degree of separation between units, based on the orientation of the members, the nature of the task they perform and their education and training. The larger the number of different occupations within an organization that requires specialized knowledge and skills, the more complex that organisation. Vertical differentiation refers to the depth in the structure. It is the number of hierarchical levels in the organisation. Vertical differentiation may be best understood as a response to an increase in horizontal differentiation. Spatial differentiation refers to the degree to which the location of an organisation's offices, plants and personnel are geographically dispersed. As spatial differentiation increases, the complexity of an organisation structure increases which makes communication, coordination, and control difficult.

**Formalization:** This refers to the degree to which jobs within the organisation are standardized. It is the process of planning rules, policies and procedures to regulate an organisation's behaviour. It results in board norms and standards of behaviour, output and skill (Wright and Noe, 1996). Highly formalized organisations commit most of these norms and standards into writing. This implies that when a job is highly formalized, the job incumbent has a minimum amount of discretion over what is to be done, when it is to be done and how it is to be done. Formalization activities involve job, work flow and rules. Generally, formalization is the result of high specialization of labour, high delegation of authority, the use of functional departments and wide span of control (Ivancevich, Konopaske and Matteson, 2005).

**Centralization:** Centralization is the concentration of authority and decision making at the top of the organisation. Centralization can be described more specifically as the degree to which the formal authority to make discretionary choices is concentrated in an individual, unit or level that is usually very high in the organisation. It applies only to formal authorities. A high concentration implies high centralization, whereas a low concentration indicates low centralization, otherwise known and called decentralization. Centralization is concerned with the dispersion of authority to make decisions within the organisation, not geographic dispersion. In some organizations, top managers make all decisions, lower level managers carry out top management directives. In some organizations, decision-making is pushed down to those managers who are closest to the action. In a centralized organisation, hierarchy is crucial to much co-ordination activity. Top managers make decisions covering a wide range of activities. Employees further down the hierarchy must obtain approval before they can act.

## **Determinants of Organisation Structure**

Cole (2004) notes some key organizational variables that feature repeatedly in discussion about what determines the shape and form of organisation structure. These factors include purpose/goals, people, tasks, technology, culture and external environment. On the other hand, Mullins (2007) highlights some factors similar to what Cole (2004) also pointed out. He believed that the following variables inter play to shape the structure of an organisation. They are size, technology, environment and culture. In this study, the writers adopted the variables identified by Robbins (1990) which deal more extensively on the issue of the determinants of organisation structure. He identified them as strategy, organisation size, technology, environment and power-control.

**Strategy:** It is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Robbins, 1990). While Cooper and Schindler (2006) define strategy, "as the general approach an organisation will follow to achieve its goals". As organizations grow, their strategies become more ambitious and elaborated from the single product line, companies often expand their activities within the industry. This vertical integration strategy makes for increased interdependence between organisation units and creates the need for a more complex coordination. This is achieved by redesigning the structure to form specialized units based on functional performance.

**Size:** An organisation hires more operatives employees, it will attempt to take advantage of the economic benefits from specialization. The result will be increased horizontal differentiation. Grouping like functions together will facilitate intragroup efficiencies, but will cause intergroup relations to suffer as each performs its different activities. Management therefore will need to increase vertical differentiation to coordinate the horizontally differentiated units. This expansion in size is likely to result in spatial differentiation. All of this increase in complexity will reduce top management's ability to directly supervise the activities within the organisation. The control achieved through direct surveillance, therefore, will be replaced by the implementation of formal rules and regulations.

**Technology:** Technology would only control structure to the extent that managers choose a technology that demands certain structural dimensions. Woodward (1963) as cited in Robbins, (1990) conclude that industrial organizations which design their formal organizational structure to fit the type of production technology they employ are likely to be commercially successful.

**Environment:** This is composed of those institutions or forces that affect the performance of the organisation, but over which the organisation has little control. These typically include suppliers, customers, government regulatory agencies, and the like. Environment of an organisation is both internal and external. The internal environment consists of those factors and forces influencing the organisation internally, while the external environment consist of those factors and forces

influencing the organisation from outside the organisation. Organizations adapt to their environment if they are to survive. There are different types of environment. These include:

*Placid - Randomized Environment*, which is relatively unchanging therefore poses the least threat to an organisation.

*Placid - Clustered Environment*, which changes slowly too, but threats to the organisation are clustered rather than random.

*Disturbed - Reactive Environment*: In this environment, there are many competitors seeking similar ends. Organizations in an environment like this develop planned series of tactical initiatives, calculate reactions by others and evolve counter reactions.

*Turbulent - Field Environment*: This is the most dynamic and the most uncertain of all the types of environment. Change is present and elements in the environment are interrelated.

### **Classification of Organisation Structure**

Stoner, Freeman and Gilbert Jr. (2004) classified organisation structure into function, product/market and matrix form. There are other forms of classifications, called the formal and informal organisation structure. Robbins (1990) classified organisation structure into mechanistic, organic, simple, functional, product and matrix. However, the classification given by Cole is adopted in this study. Cole (2004) however believes that there are a number of alternative ways of developing the intangible webs of relationship that make up an organisation structure. He describes these ways as follows:

**Functional organisation:** This is based on the grouping of all the major business functions like marketing, production, finance and personnel or human resource. Employee in the organisation is grouped and resources are allocated along these line in the organisation.

**Product-based organisation:** This is based on individual products, or a product range, where each grouping carries its own functional specialism. Employees and resources are grouped along this line.

**Geographical organisation:** This is centred around appropriate geographical features like regions, nations, subcontinents. Employees and resources are equally grouped along this line.

**Divisionalized Structure:** This usually based on products, or geography or both and finance reserved for the headquarters.

**Matrix Structure:** This is based on a combination of functional organization and project based on structures and thereby combining vertical and lateral lines of communication and authority.

**Mechanistic structure:** Is characterized by a high degree of complexity in the form of horizontal differentiation, high formalization, a limited information network which is mostly downward communication and little participation by low level members

in decision making. In essence mechanistic structures are rigid, relies on authority and a well defined hierarchy to facilitate coordination. Essentially the mechanistic structure seeks to maximize efficiency and production.

**Organic structure:** is mainly identified by its low level of complexity and formalization, it possesses a comprehensive information network that essentially utilizing lateral and upward communication as well as downward communication techniques and it involves high participation in decision making. An organic structure seeks to maximize satisfaction, flexibility and development.

### **Benefits of Organisational Structure**

1. It enables the entire organisation to be seen at a glance, i.e. how the section of departments relate with each other.
2. It shows how the various levels of manager relate with each other.
3. It shows the span of control of the supervisors and managers.
4. Weakness relating to the lines and channels of communication can be identified and control early.

### **Managerial Implications**

The structure of an organization has a variety of implications on the behaviour of the entire workforce of the organisation. This influence may vary from organisation to organisation and amongst employees. To some individuals, it brings a feeling of alienation, and to others, it could be some other feelings. To some organizations, it results in a cut in the number of managers and a minimization of the levels from top to bottom, while to other it could be tall level and a huge number of managers.

Organisation's internal structure contributes to explaining and predicting behaviour in the organisation. This is, in addition to individual differences and group factors, the structural relationships in which people work have an important bearing on employees' attitudes and behaviour (Robbins, 1990). The way an organisation is structured could be very beneficial to the organisation. If an organisation is structured very well it can achieve much and attain a competitive advantage over its competitors in the industry. Through structure, managers decide how the organisation's purpose will be accomplished. Therefore, the purpose of structure is to regulate, or at least reduce uncertainty in the behaviour of individual employees (Ivancevich, Konospaske and Matteson, 2005).

Organisation structure is meant to complement the company's business goals and objectives. It is also the foundation of the company's culture and as such affects employees behaviour, performance, motivation and cooperation. He believes that effective organisation structures are adaptive to process requirements and possible changes while always trying to optimize the results of the inputs of manpower and resources. Organisation structure should allow for flexibility due to growth, encourage employee creativity and efficiently utilize the skills and abilities of the work force. If this is the case, the following benefits may arise. The forms the structure of an

organisation assumes influence the flow of information; hence effective organisation structure arises in better communication in the organisation. It also result in increased work team and quick decision-making. It has a bearing on its output. This gives rise to high quality product and customer service.

## CONCLUSION AND RECOMMENDATIONS

From the observation so far, the writers conclude that the structure an organization assumes has some benefits it can bring to the organization and it has implications on the managers and as well as other stakeholders in the organisation. It is a truism that the form and nature any organisation assumes affects a whole lot of things in it. Organisation structure can limit and constrain an employee to a point where he cannot employ some level of initiative to do some obvious task. Whether the performance of the task would be beneficial to the organization means little to the organisation.

In order to develop and sustain necessary structure that will produce tangible organizational performance, the Organisation can adopt a structure that will enable them achieve their goals. A structure that fosters coordination among the various groups and departments that exist in the organisation and also enables them to maintain a competitive advantage in the industry they operate. We can rightly agree with Robbins (1990) assertion that organizational structure is mainly concerned with the degree and extent to which its emerging structure reduces ambiguity and clarifies issues, shapes the behaviour and the attitude of employees and other stakeholders. The government can also create enabling environment that will produce and nature the right forces of incentives which are prerequisites for organizational stability and meaningful development. There should be synergy between the management and the various workgroups responsible for co-ordinating their activities to achieve common goals. As organisation grows, their strategies become more ambitious and elaborated. Management must therefore need to develop elaborate structure to maintain effectiveness especially where strategies move from single product to vertical integration and product diversification.

## REFERENCES

- Cole, G. A.** (2004). *Management: Theory and Practice* (6 ed). London: Continuum.
- Cooper D.R.** and **Schindler P.S.** (2006). *Business Research Methods*. New Delhi. Tata McGraw - Hill Publishing Company Limited.
- Daft R. L.** and **Marcic D.** (2004). *Understanding Management* (4 ed). Australia: Thompson South.
- Ewere, S.U.** (1999). *Introduction to Business Management*. Benin City: OJK Production Enterprises.
- Imiavan, S.E., Okonofua, S.A.** and **Oloyede, K.A.** (2007). *Introduction to Business*. Benin City: Lucky Diamonds.

- Ivancevich, J.M., Konopaske, R. and Matteson, M.T.** (2005). *Organisational Behaviour and Management*. New York: McGraw - Hill.
- Krunkenberge** (2009). <http://www.bsusinessdictionary.com/definition/organisational-structure.html>  
Retrieve on 12, January 2011.
- Mintzberg, H.** (1979). *The Structuring of Organisation - A Synthesis of Research*. NJ: Prentice - Hall.
- Mullins L. J.** (2007). *Management in fives: Designing Effective Organisation*. NJ: Prentice - Hall.
- Nwachukwu, C. C.** (2006). *Management Theory and Practice*. Onitsha: Africana First Publishers Limited.
- Nyaama,** (2010). <http://www.Iboro.ac.uk/departments/bs/staff/bsgp5.html>. Assessed 19 April, 2010.
- Robbins, S. P.** (1990). *Organisation Theory: Structure, Design and Application*. Englewood Cliffs. NU: Prentice - Hall Inc.
- Robbins, S. P. and Judge, T. A.** (2005). *Organisation Behaviour*. New Delhi: PHI Learning Limited.
- Stoner, J. A. F., Freeman, R. E. and Gilbert, Jr. D. R.** (2004). *Management*. (6 ed). Patpargany Delhi: Pearson Prentice - Hall.
- Woodward, J.** (1963). *Industrial Organisation - Theory and Practice*. Oxford University Press.
- Wright, P.M. and Noe, R.** (1996). *Management of Organisation*. New York: Irwin McGraw-Hill.