

T. Bronskaia¹, M. Korotchenko²

¹*Belarusian State University, Minsk, Belarus, bronskaya@bsu.by*

²*School of Business of BSU, Minsk, Belarus, mary.korotch@gmail.com*

FUNDAMENTALS AND VARIETIES OF ORGANIZATIONAL STRUCTURES IN BUSINESSES

The article delves into the nature, types, and components of organizational structures in enterprise management, exploring the factors that influence these structures. It discusses the pros and cons of different organizational frameworks and outlines the fundamental principles for devising an organizational structure.

Keywords: *organizational structures, the linear structure of enterprise management, the linear-functional structure, the divisional structure in enterprise management, The matrix organizational structure*

Т. А. Бронская¹, М. Коротченко²

¹*Белорусский государственный университет, Минск, Беларусь, bronskaya@bsu.by*

²*Институт бизнеса БГУ, Минск, Беларусь, mary.korotch@gmail.com*

ОСНОВЫ И РАЗНОВИДНОСТИ ОРГАНИЗАЦИОННЫХ СТРУКТУР В БИЗНЕСЕ

В статье рассматриваются природа, типы и компоненты организационных структур в управлении предприятием, изучаются факторы, влияющие на эти структуры. Обсуждаются плюсы и минусы различных организационных структур и излагаются основополагающие принципы разработки организационной структуры.

Ключевые слова: *организационные структуры, линейная структура управления предприятием, линейно-функциональная структура, дивизиональная структура в управлении предприятием, матричная организационная структура*

The organizational structure in enterprise management defines the composition, interaction, and hierarchy within a company, essentially organizing labor division for decision-making and execution. It ensures efficient departmental connections, delineating their roles and responsibilities. This structure comprises three main components: the departments and divisions carrying out specific managerial functions or a mix thereof, the management levels overseeing these units, and the communication channels facilitating inter-departmental collaboration [1].

In Talcott Parsons' framework, management levels are detailed into three distinct categories, emphasizing their unique roles and responsibilities within an organization. At the Institutional level, top executives such as CEOs and board members focus on overarching strategies, organizational structure, and external relations, representing owner interests and evaluating the company's performance. The Managerial level involves mid-level managers like department heads, serving as intermediaries between the top management and operational staff. They are tasked with translating strategic goals into actionable plans, delegating tasks to specific departments, and overseeing their execution to ensure alignment with organizational objectives. The Technical level, or grassroots management, consists of junior leaders such as foremen and department heads. Positioned directly above non-managerial employees, they oversee standard and routine operations, bridging the gap between

strategy and daily tasks. This level ensures that the organization's frontline work aligns with broader objectives by managing day-to-day activities and supporting staff in their roles.

In organizational structures, interactions are complex and multifaceted, encompassing vertical connections for hierarchical information flow, and horizontal connections that facilitate peer collaboration. Linear connections transmit directives down the hierarchy, while functional connections offer upwards advice and suggestions, allowing some autonomy in execution. Formal communications are documented and structured, essential for coordinated actions, whereas informal communications arise from personal relationships, independent of organizational positions. Direct connections enhance internal departmental efficiency, and indirect connections foster coordination across different departments, ensuring organizational objectives are met comprehensively.

In enterprise management, the structure varies significantly based on factors like company size, type of activity, technology, resources, and cultural influences. Management structures fall into two main categories: bureaucratic and organic. Bureaucratic structures feature a rigid hierarchy and centralized decision-making, offering stability but limited flexibility. They rely on vertical planning and control, with key decisions made at the top. Organic structures, conversely, lack a strict hierarchy, are more flexible, and promote decentralized decision-making. This allows for swift action and decision-making across levels, enhancing responsiveness without awaiting top management approval.

Types of bureaucratic organizational structures. The linear structure of enterprise management (Fig.1) features a single manager at the helm of a division, holding comprehensive control over subordinates and embodying all management functions. This system, characterized by direct reporting to upper management, emphasizes a streamlined communication path that fosters discipline and efficiency in decision-making and task execution. However, it demands high competence from the manager in all enterprise facets, leading to potential work overload and the risk of power misuse for personal benefits. This structure suits small, specialized businesses, where its direct and simple communication lines can be most effective.

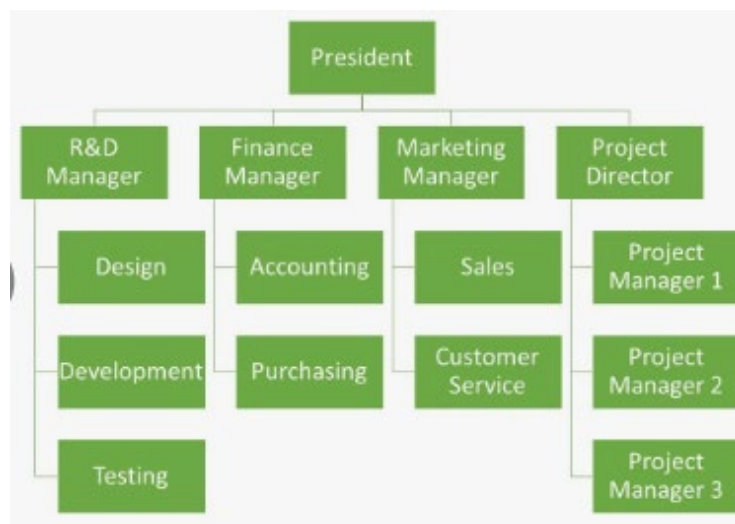


Fig. 1. The linear structure of enterprise management

In a functional structure of enterprise management (Fig. 2), each division is led by a manager with a team of highly competent managers. This model emphasizes quick decision-making and expertise, reducing bureaucracy. However, it can result in poor inter-departmental communication and conflicting instructions from multiple managers, potentially confusing tasks and outcomes. Ideal for large-scale production organizations, this structure was developed as a response to the linear model's limitations, particularly the lower competence and accountability of line managers.

The linear-functional structure aims to address the limitations of both linear and functional management models by integrating specialized departments (like economic, HR, marketing, legal, and accounting) that support linear managers with information and project solutions. This approach combines linear control with functional expertise, enhancing decision-making and performance. However, it can lead to an enlarged management apparatus and slower decision-making due to the need for additional approvals. It's best suited for enterprises producing large volumes of homogeneous products where scale economies are crucial.

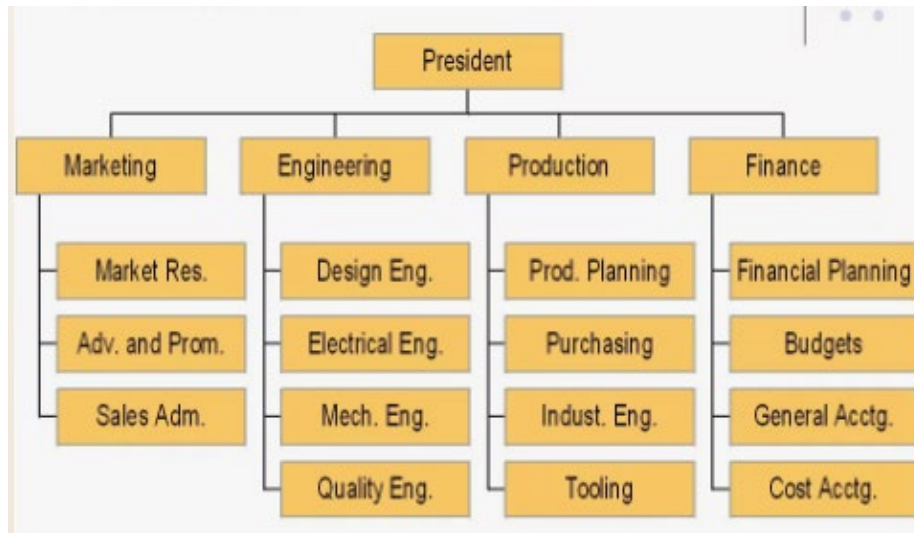


Fig. 2. The functional structure of enterprise management

The divisional structure in enterprise management (Fig. 3) categorizes departments based on product lines, customer groups, or geographical areas, facilitating specialized operations within distinct divisions. This arrangement allows senior management to focus on strategic decisions by delegating day-to-day operations to divisional heads. While it offers clear operational and strategic management separation, it introduces challenges such as increased bureaucracy, higher management costs, function duplication across divisions, and labor-intensive monitoring of each division's performance and profitability. This structure is particularly effective for large retail chains or corporations with extensive branch networks, where it enables focused management of diverse product assortments or varied regional operations.

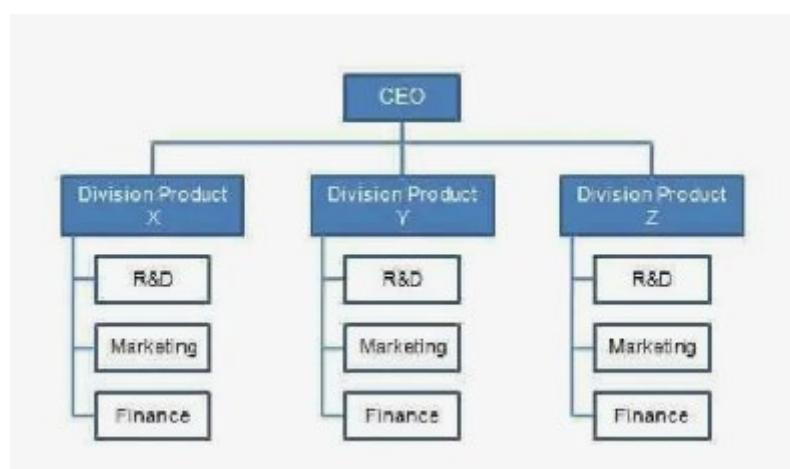


Fig. 3. The divisional structure in enterprise management

Types of organic organizational structures [2] The matrix organizational structure integrates employees into project-focused groups, creating dual reporting lines: to functional managers for resource management and skill development, and to project managers for task allocation and project execution oversight. This dual-reporting system aims to enhance creativity and optimize the use of human resources by actively engaging employees in production improvement. Despite its benefits in fostering innovation and executing complex projects, the matrix structure poses challenges such as the need for frequent team reassignments and extensive retraining. It's particularly complex due to the numerous internal coordination requirements, making it best suited for industries with long project cycles and high levels of expertise, such as electronics and aircraft manufacturing.

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The project structure focuses on assembling a team of specialists to tackle specific, temporary challenges with defined objectives, timelines, and budgets. It's particularly useful for companies launching innovative products or technologies. Once the project concludes, the team disbands, transitioning members to new projects or departments. This flexibility allows organizations to address complex tasks efficiently but comes with the downside of potential additional expenses due to the need for temporary project-specific staffing.

In today's dynamic world, where old connections dissolve and new ones form, the right organizational structure is crucial for any enterprise aiming for optimal performance with minimal resources.

To calculate optimal labor productivity with minimal resources, follow these steps: define productivity, measure current output, identify resources, analyze efficiency.

Calculate labor productivity using this formula:

$$\text{Labor Productivity} = \frac{\text{Total Output}}{\text{Total Labor Hours}}.$$

Next, compare your performance level to industry standards or past performance to identify gaps. Optimize processes, constantly monitor the consequences of any changes and adjust your strategies accordingly, regularly evaluate performance levels after changes are made and repeat the process to ensure continuous improvement, evaluate how effectively the company is using its assets to increase sales.

Analyzing the effectiveness of an organization's structure involves assessing how effectively the structure supports the organization's goals, processes, and performance. To calculate and evaluate the effectiveness of the organizational structure, the following points must be completed:

1. Define performance indicators.

General indicators include:

- Span of Control (SoC): The number of subordinates a manager controls.
- Levels of Management (LoM). The number of hierarchical levels in an organization.
- Decision Making Speed (DMS). The time required to make and implement decisions.
- Employee Productivity (EP). The ratio of output to labor input.

2. Measure current performance.

Collect data to measure specific performance indicators:

- Scope of Control (SoC):

$$\text{SoC} = \frac{\text{Total Number of Employees}}{\text{Number of Managers}};$$

- Layers of Management (LoM):

$$\text{SoM} = \text{Count of Management Layers};$$

- Decision-Making Speed (DMS). Track the time taken to make key decisions from initiation to implementation.

- Employee Productivity (EP):

$$\text{EP} = \frac{\text{Total Output}}{\text{Total Labor Hours}}.$$

Example calculation. An organization with 200 employees and 20 managers, organized into 5 layers, aiming to improve decision-making speed and productivity.

- Span of Control (SoC):

$$\text{SoC} = \frac{200}{20} = 10;$$

- Layers of Management (LoM):

$$\text{LoM} = 5;$$

- Decision-Making Speed (DMS): 15 days (Average time for key decisions).

- Employee Productivity (EP):

$$\text{EP} = \frac{\text{Total Output}}{\text{Total Labor Hours}} = \frac{5,000,000}{400,000} = 12,5 \text{ USD/hour}.$$

Managers must navigate various structures to find the most suitable for their organization, considering factors like socio-cultural compatibility, centralized decision-making, clarity in organizational hierarchy, detailed job descriptions, minimized control stages, labor division, and quick decision-making. The continuous evolution of external environments and economic fluctuations underscores the ongoing importance and necessity for research into organizational structure selection.

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