

Resource Metadata

Level	Undergraduate
Duration	3 Hours: 2 hours lecture 1 Hour Tutorial
Resources required	Moodle Platform https://udmintelec.org/course/view.php?id=5

Learning Outcomes

- Comprehend the different types of organisational structures and their key features.
- Recognise the advantages and disadvantages of the functional structure.
- Explain how geographical structures decentralise decision-making to local levels.
- Analyse the benefits of customer departmentalisation in meeting client needs.
- Describe how process departmentalisation groups activities around manufacturing processes.
- Identify the purpose of product departmentalisation in managing diverse product lines.
- Evaluate the impact of organisational structure choices on efficiency and growth.

Organisational Structures

Introduction

In this lesson, the different forms of organisation structure will be discussed along with their advantages and disadvantages. No single structure can be claimed to be the most efficient but in most of them, there is the combination of the functional structure.

The functional structure

The functional structure is the most common structure. It is sometimes referred to as functional specialisation. In this case, tasks are linked together on the basis of common functions. All production or all financial activities are grouped respectively as separate functions.

Advantages:

By grouping people on the basis of their technical and specialist expertise, the organisation can facilitate both their utilisation and coordination in the service of the whole enterprise.

It is a logical reflection of functions.

It maintains power and prestige of major functions.

It simplifies training.

Disadvantages:

There can be the growth of sectional interests.

The form will not be flexible when the organisation expands.

Responsibility for profits is at the top.

There is over specialisation and narrow participation of the employees.

Geographical structure

The main functions are kept at the head quarters. Some activities are decentralised on a territorial basis (North, South, West, Central). Many large organisations are decentralised in a geographical way.

Advantages:

It places responsibility at a lower level.

It places emphasis on local markets and needs.

There is better face-to-face communication with local interests.

There is a possibility of creating a training ground for future managers.

Disadvantages

It requires persons with more general manager abilities.

There can be a problem of top management control.

Customer departmentalisation

Activities are grouped in an organisation to reflect an interest in customers. Already this exists in the Insurance sector like Personal Loans, Corporate Loans, Mortgages.

Advantages

This structure encourages the concentration on customer needs.

It gives the customer a feeling that they have an understandable supplier.

It develops expertise in a customer area.

Disadvantages

Coordination of operations may be difficult.

It requires managers and staff expert in customer problems.

Customer groups may not always be clearly defined.

Process departmentalisation

Manufacturing firms often group activities around a process or a type of equipment.

Such a basis of departmentalisation can be found in paint or electroplating. Also, printing can be practised in this way.

Advantages:

This structure achieves economic advantage.

It makes use of specialised technology.

Specialist skills are used.

Training is simplified.

Disadvantages:

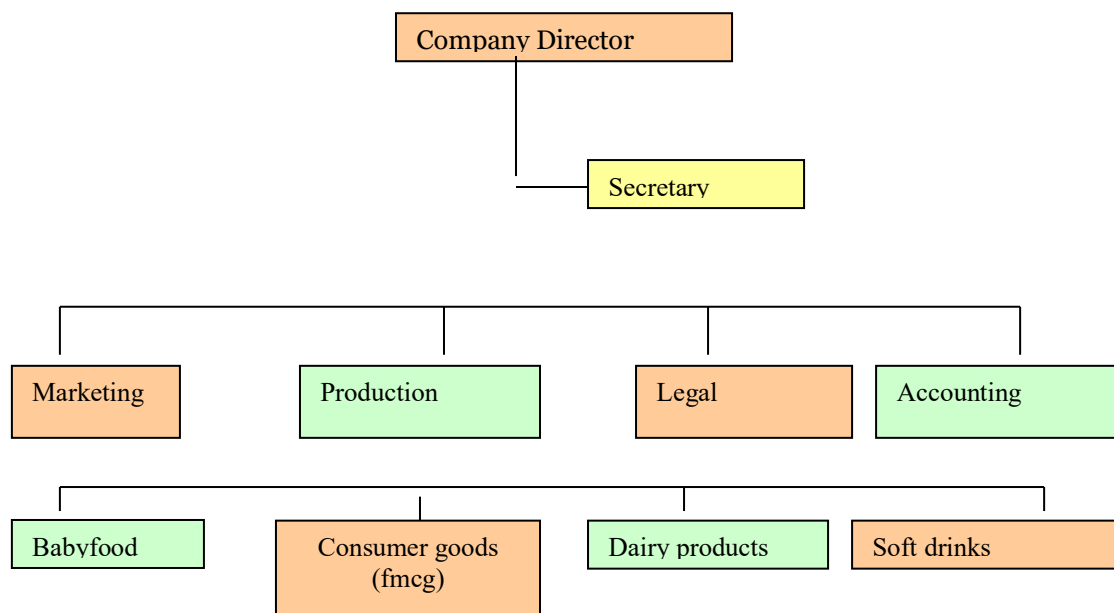
Coordination of departments is difficult.

Responsibility for profit is at the top.

It is suitable for developing general managers.

Product departmentalisation

Some manufacturing organisations can departmentalise their business through products. There is the possibility of product specialisation for the different departments and businesses.



Advantages

It places attention and effort on the product line.

It facilitates the use of specialised capital, skills and knowledge.

It permits the growth and diversity of products and services.

It improves the coordination of functional activities.

It provides a training ground for managers.

Disadvantages:

It requires more persons with general manager abilities.

It makes the maintenance of some central services difficult.

It can present increased problem of top management control.

Tutorial Questions

1. Illustrate how IBL operates through product departmentalisation.
 2. How is customer departmentalisation useful to a local bank in Mauritius?
 3. Explain how process departmentalisation suits the printing sector.
 4. Why is functional organisation suitable in a private firm?
 5. Why is geographical departmentalisation beneficial to international companies?
 6. The more an organisation expands, the more costly it becomes. Discuss.
 7. How can product departmentalisation favour the growth and diversity of products?
 8. Relate functional specialisation to the functional structure.
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